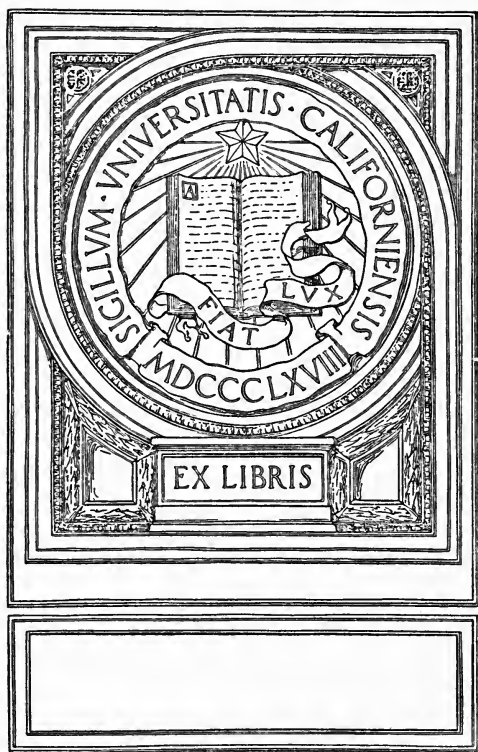


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# **HOW TO REDUCE SELLING COSTS**



# How To Reduce Selling Costs

By  
**PAUL E. DERRICK**  
INTERNATIONAL AUTHORITY



Garden City      New York  
**Doubleday, Page & Company**  
1920

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*THIS is the time for a searching  
analysis of American trade policy.*

*Every manufacturer must put his last  
ounce of organized effort into more  
efficient plans for the future maintenance  
and development of his trade, and of  
American commerce.*

*National and individual interests both  
demand that selling methods be revised  
and brought up to date.*

REPRODUCED

72

## PREFACE TO AMERICAN EDITION

# TO BUSINESS MEN OF AMERICA

I RESPOND with sincere pleasure to the suggestion of the President of The Associated Advertising Clubs of the World, that I permit the publication of an American Edition of *How to Reduce Selling Costs*, under the auspices of that highly efficient body of public-spirited men.

The subject that I deal with is of prime economic importance to all engaged in production and trade, and to the consuming public. It is also of extreme urgency to every one in any way engaged in advertising. Unless sale by advertising can be demonstrated to be the most efficient and economical method of distribution, it must be discarded, sooner or later, for some other and better method.

To me, efficient advertising is obviously the most suitable means so far discovered for accomplishing the purposes of ordinary trade—the economical distribution of goods to the public—and my book is an attempt to prove this thesis.

It is my purpose to present my arguments to the non-advertising producer, to the antagonistic middleman, and to the consumer who knows little or nothing about the cost of selling. Therefore, there is necessarily some repetition and considerable primary reasoning, obvious to those who are trained in selling and advertising. To such, I hope I have suggested some new argument in proof of the superiority of advertising over other methods of distribution. If I have failed to bring anything new to the discussion, I trust I have at least presented the "old wine in new bottles," and that I have contributed something toward a better public understanding of the

value and importance of advertising as an efficient economical tool for reducing selling cost.

My long international experience in advertising a wide range of commodities, and the exceptional opportunities thus presented for studying sale and resale conditions, should lend weight to my conclusions.

My immediate purpose in writing this book is to draw the attention of manufacturers to a subject of supreme economic importance, at a time demanding highest efficiency in every process of production and distribution, and I trust it may also assist in establishing advertising on a firmer basis in America, by making its economics better understood.

My wide experience in the British market, which dates from 1895, when I first came to London to look after the extensive advertising interests of "Quaker Oats," added to my experience in America, which began in 1887, has enabled me to view the subject from a purely abstract angle, entirely dissociated from any prejudice regarding local or national trade conditions.

Therefore, my conclusions may safely be accepted as entirely free from any local bias, due to a too narrow or insufficient knowledge of trade conditions. Since 1887 I have been in the thick of advertising, and have seen it develop in America from the primitive state of its then little understood application to a few lines of business, to its present highly efficient use for all conceivable propaganda. I predict that the next thirty years will see still greater developments, both as regards the increased purposes for which it will be utilised, and the efficiency with which it will be employed.

The Great War has given wonderful impetus to official Government advertising. The extensive use of press and poster publicity for Army and Navy recruiting, for the collection of War Funds for benevolent purposes, for the flotation of Government Loans, and for economic propaganda, has been a revelation to the public.

It is a long way from the casual and stereotyped announcement of a few medicine and soap manufacturers, which was about all the advertising to be found twenty-five years ago. It indicates the enormous possibilities of advertising, and can be accepted as proof of the positive value of the principles upon which it is based.

I dedicate this American edition to my many friends at home, beside whom, for so many years, I fought the good fight for cleaner and more efficient advertising; those who, with me, have witnessed such a splendid advance in its character and method.

To those younger men on whom falls the burden of future achievement, I can only say, "Do it Better!"

PAUL E. DERRICK.





# CONTENTS

## CHAPTER I

### PRODUCTION COST v. SELLING COST

PAGE

How final price is determined—The sum of all costs and profits—Production Cost; what it is—Selling Cost; what it is—Production Cost declining—Selling Cost increasing—All costs and profits paid by the consumer—Reduction of Selling Cost necessary—Selling Cost exceeds Production Cost—Only the manufacturer can reduce Selling Cost—A national need for greater economy in selling—Goods must be identified and advertised—How to distinguish between Production Cost and Selling Cost—Not so easy as it appears—The manufacturer's greatest opportunity to economize—Table showing factors of Production Cost and of Selling Cost—Cost of production depends upon volume and standardization—Factors of advantage in production: in selling—How to stabilize a market—How to avoid glut and famine in orders; both sources of loss—How to create and control demand—Rapid shop turn-over more important than wide margins—The Selling Problem the greatest in commerce—How the turn-over of a company was, in twelve years, increased from \$500,000 to \$4,000,000 and selling expense reduced by more than three per cent. . . . .

1

## CHAPTER II

### THE EVOLUTION OF THE MANUFACTURER

The merchant over-lord—A world-wide web of commerce—The maker waking up—Failing to see his opportunity—Increased cost of selling over-balances decreased cost of production—Price does not tend to approximate cost of production—Mistakes of political economists—Price includes cost of production, profit, and cost of selling—Selling to-day the largest item in price—Selling presents greater opportunities for economy than does production—Selling costs more and more determine price—The pinch of a shrinking world—The seed of trade revolution—The development of the merchant-manufacturer—The discovery of the consumer—A radical change of policy required—Protection of prestige—The danger of looking backward—The curse of precedent—The necessity for pliancy—The good-will of a business is the good opinion of the consumer . . . . .

17

# CHAPTER III

## THE MANUFACTURER AND THE CONSUMER

PAGE

It costs more to sell than to make—Selling cost declines in proportion to the suction of demand—Competition to be keener than ever—Inefficient selling methods the ruin of any business—Mechanical invention exhausted—The great future problem is improved selling methods—Selling demands a higher intelligence than producing—Two classes of manufacturers—A hundred who can make to one who can sell—Sales side of business the most important side—Modern aspects of selling—Dry-rot in method fatal—Dogmatic opinion unsafe—Put the blame where it belongs—Well-established concerns in danger—Success is a process—Imagination is essential—The rigid policy perilous—The market is the consumer, not the middleman—The part the middleman plays—The consumer the corner-stone of manufacturing—When selling begins—The consumer pays for it all—Demand is the pull of the consumer—Two ways to maintain price—All selling expense is advertising expense. . . . . 30

# CHAPTER IV

## THE MACHINERY OF DISTRIBUTION

A message to middlemen—The great past achievement of the American merchant—The responsibility of the future—The point at which past selling methods broke down—How traders compelled manufacturers to identify and advertise their goods—The steady increase in advertised goods—Sale of unadvertised goods growing more speculative—Quick, steady turn-over preferable to big margins occasionally realized—The menace to wholesaler and retailer of centralized trading—The advertiser keeps existing trade channels open—The advantage to wholesaler and retailer of active co-operation with manufacturers of advertised goods—The origin of existing antagonism—The value of the satisfied customer; how to ensure his satisfaction without expense—How the small retailer can develop his business—What the Big Store has done and can do: Mail-order Trading; Multiple Shops; Co-operative Societies—Their menace to the wholesaler and small retailer, and how they can protect themselves—Advertised goods superior to all efforts to control sale by monopoly—Sale efficiency and reduced selling cost demands the co-operation of wholesaler, retailer, and manufacturer . . . . . 45

# CHAPTER V

## HOW TO WIN THE MIDDLEMAN

The hazard of cut prices—The proprietor of a trade-mark alone interested in its development and perpetuation—Unprofitable to expect special selling service from an outsider—"Booking orders" is not alone sufficient—Trade development: what it is and what it

# CONTENTS

xi

PAGE

demands—Modern salesmanship—Building up good-will—Orders book themselves—How to lay safe foundations—The pull of demand—Thorough and widespread distribution—The modern salesman's duties and opportunities—The value of an article depends upon the desire of the consumer for it—It is not price that sells goods that are called for—The middleman not concerned with price—Putting value into a trade-mark—The manufacturer's profit problem—What is required to increase profits—How to co-ordinate the silent salesmanship of the printed word with personal salesmanship . . . . .	74
---	----

## CHAPTER VI

### HOW TO WIN THE CONSUMER

The measure of value of any market—The market as distinct from the machinery of distribution—The only thing that will make the middleman "step lively"—Every one prefers to push the thing that is moved with the least effort—Only one way to secure the active co-operation of the consumer—How to expand the boundaries of a market—A paralyzing prejudice—What is advertising—Dabbling—Leaky cylinders and leaky advertising methods—The only way—Good-will of permanent value—Good-will perpetually subject to depreciation—The business of the middleman—The only good-will of safe valuation is that which exists in the demand of the consumer for the goods offered—The good-will of the consumer can only be secured by advertising—Persistency of consumer demand—Advertising provides most thorough, most economical and quickest distribution—Advertising maintains a market at least cost—To-day greater changes of opinion effected in one season than formerly in a generation—The public now interested in new ideas and new things—Individual opinion the leverage of efficient advertising . . . .	93
---	----

## CHAPTER VII

### LINKING UP SALES EFFORT

Advertising not a mysterious force—Its possibilities and its limitations—Mail order advertising—Advertising is only selling—Advertising and Selling Departments indissolubly interpenetrated—Putting goods upon a pedestal—An atmosphere of value—The author's name—The artist's signature—The great labour-saver—One advertising success leads to another—One advertised article in active demand pulls along the other products of a manufacturer—Advertising cumulative—The present master problem of business—Efficiency of factory is ahead of efficiency in selling—Efficiency does not imply elaboration—It depends upon the character of the business as to how much or how little of its selling power may be allocated to advertising—Testimony of Mr. Conrad P. Fry—The chief text in the gospel of business . . .	109
---	-----

## CHAPTER VIII

## THE FUNCTIONS OF ADVERTISING

PAGE

A machine for influencing public opinion—Breaking the ground for the salesman—Saving time and cost—Advertising the only force sufficient to move whole masses of opinion—The two factors of success in advertising—Stabilizing the market—On what good-will depends—Advertising tends to specialization—The advantage in manufacture of the long, straight run—Trade follows the successful advertiser—The most economic method—Speeding up the middleman's turn-over—Turn-overs preferred to Left-overs—To create confidence—The guarantee of uniform quality—The mastery of mind over mind—Knowledge of man more necessary than knowledge of goods—Why successful manufacturers are advertising failures—The responsibility of the advertiser—To label a bad piece of goods is commercial suicide—Branding goods the only basis of good-will—The only way to control a business—Good-will exists in the demand for the goods—The consumer the voter who decides if a business shall succeed—Make the consumer pay for the advertising by making the advertising pay the consumer—The advertising problem to be solved is that of efficiency—Advertising success is measured by the economical suction of demand that results from it . . . . . 127

## CHAPTER IX

## HOW TO DO IT BETTER

There is no royal road to successful advertising—To be applied like personal salesmanship—The great analogy—Eliminating factors of failure—The importance of correct diagnosis—Ascertained principles to be always applied in an original way—The futility of copying others—The ideal Advisory Board and what it might do for the advertiser—Co-operative methods—Interior organization—Service agents—Those who know it all—The fully efficient advertising man—Applying principles in the most efficient way—The more talent and experience the less risk—Advertising not on trial . . . . . 143

## CHAPTER X

## ADVERTISING THE SUPERIOR SOURCE OF GOOD-WILL

Book-keeping cannot create good-will—Two classes of directors—An accountant not necessary to discover good-will—Discovered by the salesman—Good-will is the existing suction of demand—Sales cost decreases in proportion as the reputation of goods or service increases—Advertising not a tax—A fallacy of the past—Proof—Object lesson in sales economy—Good-will is accumulated selling power—The fly-wheel of business—How efficient advertising brings down selling cost and develops momentum—Expanding turn-over and contracting cost—Re-investing profit

in trade expansion more profitable than outside investment— Crediting advertising to good-will account—Enhanced reputation is good-will—Only created in a large measure by advertising— Advertising regarded as a productive factor in manufacturing— Good-will is business momentum measured by the ratio of sales cost to turn-over . . . . .	153
--	-----

## CHAPTER XI

### THE NEW ERA

The New Commercial Era—The power of the consumer—The most important factor—A feeling of false security—Efficient outlet— Wholesale and retail trade—A new service demanded—The dealer does not create trade—Demand exists only with the consumer— Middlemen are distributors—The consumer the selling factor— Advertising the key-stone of salesmanship—The most efficient means for reducing selling costs—Experience requisite in adver- tising—Selling costs exceed production costs—Necessity for reduction in cost of selling—How it can be accomplished—Ad- vantage to the manufacturer; the middleman; the consumer— Reform of wholesale and retail methods essential—The adver- tiser's great responsibility and his reward—The advantage of systematic methods in salesmanship—How to determine appro- priation—How to apportion it to various areas—Co-ordination of all selling effort—The future demands increased efficiency in production and selling, but selling offers the greatest opportunity for improvement and economy . . . . .	173
--	-----

## CHAPTER XII

### THE TRADE-MARK

Its selection important—Its advertisability—Brevity—Legibility— Suggestion—Design—The associated figure—The assisting mark —The group or "family" trade-mark—Germany and China's cotton trade—The entrenched "chop"—The "Mark" a sounder asset than the "Mill" . . . . .	191
--	-----

## CHAPTER XIII

### ADVERTISING MEDIA

Some of the difficulties—Great care necessary—Ignorance the cause  
of enormous loss—Misuse of advertising—Eternal vigilance  
necessary—Printing—Every man his own designer—Where the  
printer fails—Press-advertising—Multiplicity of media—Char-  
acter—Circulation—Bird-shot advertising—Concentration essen-  
tial—The unit of publicity is the individual reader—Large v.  
small circulation—The advertisement—Hit-or-miss methods—  
Rule-of-thumb display—Wasting space—The principles of effi-  
ciency outraged—Weak appeal—Monotony—Sensational effects

	PAGE
—Outdoor publicity—Ideal for driving home a central point of emphasis—Not adapted to argument—Difficulties in placing—Efficient and adequate service requisite—Locating positions—Value measured by number of passers-by—Class appeal difficult—Valuable for localized selling . . . . .	203
Trade Press—Its value and opportunity—Inter-trade service—Should educate the trader—The trade-mark advertiser the protector of the small shop and the wholesaler . . . . .	207

## CHAPTER XIV

### WHAT IS NOW REQUIRED

<b>Invention in selling methods necessary—Efficient selling machinery the outstanding factor—What makes the change of method necessary—Keeping in touch with the consumer is advertising—Entire dependence upon middlemen is the surrender of good-will—Every one's problem the most difficult—The great universal law of compensation—Creating a demand at a profit—What advertising means—A definition—No purpose without imagination—The man of vision . . . . .</b>	<b>222</b>
---	------------

## INTRODUCTION

It will come as a shock to the public, and also to many manufacturers, to be told that it costs more to sell goods than it does to make them. This is, nevertheless, a fact applying to most merchandise which is consumed by the public. The ratio between Cost of Production and Cost of Selling greatly varies, but as a broad statement it is true that, of these two items that principally govern price, selling is the dominating factor.

At any point in its history, the price of any manufactured article is the sum of its production cost and producer's profit, together with all the accumulated costs and profits of all those through whose hands it has passed, including cost and profit of insurance, handling, and carriage.

Cost is divided into Cost of Production and Cost of Selling.

Cost of Production is a group of charges made up of material, labour, and interest on capital so employed.

Cost of Selling, which includes delivery, is a no less genuine group of charges. It also includes material, labour, and interest upon capital so employed.

In the last half-century, cost of production has gone down in proportion as labour-saving and time-saving machines have been developed, and economies in materials and processes have been effected. Unfortunately, within the same period, cost of selling has gone up as competition has increased by reason of increased production, resulting from continually lowered production cost and increased transport facilities.

Thus are the manufacturers' profit and the consumers'

purchase price gripped in a vicious circle from which there appears but one means of escape.

The object of this book is to indicate this means of escape. I hope to prove that increased efficiency in selling is absolutely essential to continued commercial success, and that it offers the only means of any material reduction of price to the consumer, or of increase of profit to the producer.

It should always be borne in mind that all costs of selling, as well as all costs of production, have necessarily to be paid by the consumer, or user, of the goods or service sold. It makes no difference by what means goods or service are sold, the cost involved in the process must be, and always has been, added to production cost and the demanded profit, in determining final selling price. Therefore any economies that can be effected in selling cost are a distinct advantage: not only to the producer, because it gives him increased profit or a price or quality advantage operating to extend his sales, but also to the consumer, who may rely upon competition to transfer to him a part of the saving effected, in the form of lower price, or better quality or service.

The reducing of the huge total of the tax upon the consumer, represented by abnormally high selling costs, presents an unequalled opportunity in industrial economics. Little progress has been made in combating this steadily mounting wave of expense. Comparatively few manufacturers have given the subject sufficient study. The vast majority of them still stubbornly clings to traditional methods of sale—methods that have grown obsolete and inefficient by reason of social, æsthetic, and material changes in the lives of the people for whom they are producing goods.

When it is realized that selling costs exceed production costs—that more than half of the whole annual expense account of the nation, as represented by the total consumption of manufactured goods, is the sum to be affected



by a reduction in the cost of selling—it becomes obvious that any appreciable decrease in the rate of this charge will result in a colossal national economy, an advantage divided between labour employed in production and sale, producers and middlemen, and the public that consumes the goods.

The necessity for some means of reducing selling costs is indeed one of long standing, but the urgency for immediate attention and action is one of the inevitable outgrowths of the financial and commercial re-adjustment that the present world-crisis has forced upon the nation.

To men of broad outlook and deep penetration, existing obsolete methods of selling have for a long time been a scandal, and a reproach to the vast majority of manufacturers of goods that come within the scope of this discussion. Such goods embrace everything produced for the ultimate use of large groups of individuals: in fact, everything in the nature of a service offered or an article desired by the general public, in contradistinction to service and goods required by only a limited class.

The fundamental error in salesmanship which has been increasingly apparent ever since the markets of manufacturers have come to be extended beyond the limits of personal influence, and to feel the clash of competition on all sides, is in not recognizing the ultimate sale unit, the consumer. It is my purpose herein to assist in putting manufacturers right as regards this most important matter, and to indicate the best means of profitably dominating a market upon a basis of reduced selling cost.

One cannot efficiently apply definite rules of practice to any business until one thoroughly understands the principles upon which such rules are based. The commander of a ship who attempts to navigate it before he understands the principles of navigation—by simply following the “does and don’ts” of his calling, without adequate knowledge of the reasons behind such rules of procedure—will almost certainly come to grief sooner or

later. Doing without knowing may suffice for an A.B., but the responsible commander must understand the principles of his business.

The business of selling is not exempt from this natural law of efficiency. It is one of the most complex undertakings in which a man can engage, and for this very reason demands, to a greater extent than almost any other business, a thorough knowledge of the principles involved.

Therefore my aim is not to lay down hard and fast rules of procedure, nor to discuss the *minutiæ* of the process of selling, but rather to emphasize the underlying principles of efficient salesmanship as applied to existing conditions of trade, and to the even less understood psychology of the mass-mind of the public as it relates to purchase.

If, in my effort to impress minds unused to close consideration of the fundamental principles of selling, I have considered it necessary to repeat certain important arguments, applying the same reasoning to varying aspects of the general proposition laid down, it is because it has seemed necessary to do so in order to make the application of my argument clear to men of widely varying opinions and interests. Such repetition is used for emphasis, and to include within the circle of my appeal all those whose divergent interests must be considered in any substantial effort to reduce selling costs.

The present demands foresight. The future is a riddle to be solved. It will be satisfactorily solved only by those of open mind and clear vision.

THE AUTHOR.

**S**ELLING includes all the operations necessary to secure the distribution and the consumption of commercial products.

*Selling Costs go down in proportion to the increasing reputation of any product, as measured by the suction of demand for it.*

*It is therefore the suction of demand that brings down selling cost, yielding, in turn, steady production, increased turnover and lower production cost, increased rate of profit, or lower price and further increase in turnover.*

*The only possible way to create this suction of demand for any article or service is by efficient salesmanship.*



# **HOW TO REDUCE SELLING COSTS**



# HOW TO REDUCE SELLING COSTS

## CHAPTER I

### PRODUCTION COSTS *VERSUS* SELLING COSTS

Cost of Production consists principally of a group of charges made up of raw or semi-processed material, labour, rent and taxes, superintendence, up-keep, depreciation of plant, and interest on capital so employed. These are obvious and well-understood factors of cost employed in arriving at the price at which a commodity may be sold.

In no less degree is Cost of Selling a group of genuine charges. It includes material, labour, superintendence, and interest upon capital so employed by the producer, in the first instance, and subsequently by all middlemen intervening between him and the consumer. With respect to the latter, established margins of profit are also included.

The factors of Cost of Selling are less obtrusive and less easily grasped and controlled than are those of production. Manufacturers themselves seldom clearly differentiate all of them from cost of production. The expense of selling is a subject concerning which the public has only the haziest notion, and as a factor in determining price it is seldom considered by the consumer.

In any discussion of ways and means for the reduction

of selling cost, a clear definition of "Selling Cost" must be applied.

It seems obvious that in any such discussion "Selling Cost" must be made to include all charges imposed upon any article offered for sale, other than production cost and producer's profit.

Selling Cost, therefore, must include all charges, except producer's profit, arising between the point of production and the point of consumption. It embraces the producer's selling charges of every description from the state of final production, together with all subsequent selling charges imposed by each middleman through whose hands the goods pass, until ultimately they are delivered to the consumer. By middlemen are meant all those who buy the article for re-sale.

It may be argued that this is an unscientific definition of "Selling Cost," as it necessarily includes a profit-charge imposed by each middleman. It may be objected that any "profit" arising anywhere between production and consumption is not an item to be properly included in "Selling Cost."

It may be held that the actual "selling cost" of an article can only be determined after the total profit in its whole series of sale transactions is ascertained and deducted from its total charge for selling service. This would be manifestly impossible, as it would involve a complete knowledge of the precise determinant of each article dealt with in the entire business of the various firms through whose hands it passes from maker to consumer, and of the actual expenditure of money on each individual sale, as measured by time employed and money expended in effecting every one of the series of transactions.

The "selling cost" of any individual article of commerce is not parallel to the aggregate selling expense of those through whose hands it passes in its journey from producer to consumer. It is presumed that each middleman will make a profit on his transaction. It is also



possible that some of them may sustain a loss. But "trade terms," to cover the combined cost of re-sale by middlemen, and their required margins of profit, *are arranged in advance* to provide just such anticipated profits, and to insure against such losses. The total amount of this charge must be included in the "selling cost" of the article. In actual trade this charge is expressed as gross profit. What proportion of it is expended in performing the service demanded, or what part of it is pocketed as net profit, or what part is lost through inadvertence or bad management does not affect the "selling cost" of the article. Whatever the individual result to those through whose hands the article passes, it will finally be delivered to the consumer at a price that consists of its production cost, and producer's selling cost and profit, plus its anticipated re-sale costs, as measured by the aggregate established "trade charge" for handling and profit.

If in its progress from producer to consumer some middleman is so unfortunate as to sustain a substantial loss, it may be ultimately sold to the consumer at less than the regular price, and so "by its exception prove the rule"; on the other hand, the merchant who buys at less than "market price" may be usually depended upon to retain all the advantage of his good fortune by keeping his selling price at market level.

If a middleman foregoes his usual profit on a particular line of goods, or on a certain purchase, with the result that the aggregate "selling cost" of a specific article is less than expected, and the article, for that reason, reaches the consumer at less than its anticipated price, we have merely an exception to the general rule; the underlying principle is in no way affected. Such "cut prices" and attendant loss of profit, or actual loss, may be expected to be made up on other transactions, and the average selling cost of merchandise in general is thereby re-established.

Competition may be depended upon to prevent the imposition of exceptional profit or expense by either producer or middleman. Such a policy automatically checks sale, and thus defeats its purpose. To sum up—

*Most merchandise is produced to sell at approximately fixed retail prices. These retail prices are determined by competition. They consist of the production cost, plus producer's selling cost and profit, plus total charges subsequently imposed by those who pass it on to the consumer.*

*"Selling Cost," additional to the producer's selling cost, is predetermined by estimating the total established charges of those whose services are required to effect progressive re-sale and final delivery of the goods. This is expressed in current trade terms of sale, or margins of gross profit to all those through whose hands the goods pass.*

*These trade charges include a sum to meet demanded margins of re-sale profit. It makes no difference in the average "selling cost" of merchandise whether a middleman, by reason of his high or low expense, makes more or less than his anticipated profit, goods stand charged with a predetermined "selling cost" based upon existing trading conditions, and may be expected ultimately to reach the consumer at a price equivalent to production cost, and producer's sale cost and profit, plus such predetermined charges as will induce their purchase and re-sale by middlemen.*

This average selling cost, I maintain, exceeds the average cost of production, and I also hold that this excessive charge is the result of antiquated selling methods applied to modern sale problems.

In reality present average selling charges must continue if existing conditions of business are maintained. It is my present purpose not merely to indicate means for so modifying these conditions, that present excessive selling charges may be reduced without hurt to any one, but, on the contrary, to the individual good of every one concerned, including producer, middleman, and consumer.

Both groups of charges that control price extend into a dim perspective from the factory door. Production costs stretch back to the origin, embracing the cost and profit of all those who have in any way engaged in the production, the selling, or the handling of all the supplies and raw materials or parts entering into the finished product. Reaching forward in the opposite direction, selling costs embrace all the expenses involved in putting and keeping a line of goods on the market, and include the labour and profit of all those who are in any way involved in the selling and handling of the goods in their more or less tortuous progress, until they reach their ultimate consumer.

Production costs of manufactured goods are thus already loaded up with selling charges on raw materials, etc., before a blow has been struck or a wheel begins to turn in the transformation of raw materials into the finished product, and immediately the commodity is ready for its final market, selling cost again relentlessly seizes it and begins to weave about it an ever increasing weight of cumulative charges until the final buyer snatches it from the great wheel of commerce that public demand sets in motion and keeps eternally revolving.

The process of reducing selling costs must begin with the manufacturer, or proprietor of the trade-mark, for greater economy in selling is based upon trade-mark identification of goods by the consuming public, and a stimulation of demand for them by efficient salesmanship. By no other means is it possible to intensify and stabilize demand to the point of economical and steady production, and so reduce production cost to a minimum.

Before one can intelligently consider ways and means for reducing selling costs, one must learn to distinguish between such costs and those of production.

This is not so simple as it first appears, and the result is that few manufacturers have a right appreciation of exactly what selling cost includes, or of the huge total tax

it imposes upon business. It is not only his own selling costs that a manufacturer has to consider, but also those of the producers of his raw materials and supplies.

When this is once fully understood it will be more apparent that further increase in selling costs must be checked by some means, and that economy in this direction is the outstanding factor of future advantage in trade. It also will become plain that, concealed somewhere in this huge total of expense, there exists the greatest possible opportunity for economies. In other words, by accurately grouping all the selling costs attached to a business, and contrasting them with the combined total of actual production costs, we shall in many cases discover that selling costs present not only the broader basis for the practice of economies, but also that they present a much greater range of opportunities for such accomplishment. This is because economies in production have been hitherto the subject of much closer and more scientific study than have economies in selling. The reason for this I have endeavoured to make plain in another chapter.

To express as clearly as possible the division of production and sale costs into their actual groupings, I submit the following table. It is presented only to indicate in a general way how the two principal factors of price—production and sales—may be separately considered (the third and minor factor of price is the producer's profit). It is difficult to draw a dividing line that will determine to which group of expenses certain items rightly belong; often there is a confused interpenetration that is extremely difficult to disentangle, *e.g.*, increased sales efficiency will result in increased turnover, and increased turnover may be depended upon to reduce production cost. On the other hand, reduced production cost, unless the saving is all absorbed in increased dividends, will further reduce selling cost, because of the price advantage that it gives; therefore increased efficiency in either production or sale

tends to show its benefits in both these factors of final price.

**TABLE SHOWING THE APPROXIMATE CORRECT GROUPING OF THE PRIME COST-FACTORS OF PRODUCTION AND SELLING**

<i>Cost of Production.</i>	<i>Cost of Selling.</i>
Invested Capital (Factory) Interest.	Interest and depreciation on Invested Capital (Good-will or trade-mark advertising).
Depreciation.	Shop Advertising, Booklets, Catalogues, Circulars, Price-lists, etc., and distribution of same.
Rents, Rates and Taxes.	Added Cost of product for sale-features, apart from intrinsic value: Fancy Carton, Wrapper, Label; Ornamental or attractive style of finish, or other special turn-out to influence sales.
Insurance.	Sales Department: Administration, Superintendence, Traveling Expense, Accountancy, Salesmen, Collection, Bad Debts, Offices, Supplies, Insurance.
Factory Upkeep.	Terms of Sale and Discounts to the Trade.
Power, Lighting and Heating.	Warehousing: Interest on Capital in Stock and Buildings, Rent, Rates, Lighting and Heating and Up-keep, Depreciation on Warehouse and Stock of Goods, Insurance and Wages.
Raw Material: Cost including carriage and handling of all supplies: to include semi-processed and finished parts entering into the new combination.	Handling.
Wages, Superintendence, Administration: To include clerical wages and office expenses and supplies not included in Selling Cost.	Carriage.

Advantage in production is secured, (1) by advantage in accessibility to raw material and to labour required, the character of product, to a great extent, determining the advantage of location; (2) efficiency of equipment; (3) efficiency of factory organization and management; (4) steady production of standardized goods; (5) volume and rapidity of turnover.

Advantage in selling is secured, (1) by quality and price

<sup>1</sup>Refer to Chapter X—"Advertising the Superior Source of Good-will."

of product; (2) efficiency of sales organization; (3) efficiency of advertising as determined by the resulting suction of demand; (4) accessibility to market as measured by cost of carriage; (5) adequate supplies and prompt despatch of orders.

No efficiency of equipment in labour, plant or management can ensure the economical production of goods unless they are turned out to an exact standard in style, measurement, and finish. Only continuous identical factory operation results in complete economy of production. Every variation in factory process results in lost motion and entails increased cost.

Perhaps one of the most sensational examples of true factory efficiency is shown in the production of the Ford Motor Car, with its net profit of \$12,500,000. Here exact standardization of product is carried close to perfection, and, as might be expected, is amply justified in price advantage. But it is to be remembered that Ford Production Success has been attained by reason of Ford Selling Success. By efficient salesmanship, which has always been based upon efficient advertising, the demand for Ford Cars has been developed to such an extent that production cost has been repeatedly brought down. Even further reduction in price is possible, and thus further increased sales are assured. Of course this Box and Cox possibility of increasing sale and decreasing cost has an ultimate limit, but that it has already placed Ford Cars in an unchallenged position, with respect to that particular type of car, is well known. Mr. Ford's attitude toward further possible price reductions, and the influence upon the Motor Car industry, is expressed in the following from *The Financial World* (New York)—

“A subscriber of *The Financial World* who forwarded to Henry Ford a clipping from *The Financial World* describing the serious effect the cut in prices of Ford Cars had on automobile stocks has received a reply which

gives a broad intimation of a still further reduction to come. The reply reads—

“We are, of course, sorry that the announcement of our prices caused this slump in automobile stock quotations, but this should be expected, as it has been the policy of the Ford Motor Co. each year to reduce the cost of the car, and give still greater value for the money.

*“With our organization it is to be expected that these reductions will come as the organization increases in size.”*

“The italics are ours, but the paragraph has been italicized in order to show its full significance. Mr. Ford’s representative says reductions will be made as the organization increases in size; and as the Ford plants are being doubled in capacity we may expect another reduction next year and others right along thereafter.

“A reader whose opinions we value highly makes this telling explanation concerning the ability of the Ford Company to make steady reductions in the prices of its cars—

“In manufacturing, the great points are quantity and uniformity—the production over, and over, and over again of the same identical article. This permits organization in men, methods and machinery. Given discrimination in the selection of men and the time for the perfection of organization methods, and the money to equip a plant with special machinery, and thus, through rarefied efficiency, to arrive at an actual minimum cost of production, reduced price is inevitable, because the best goods at the lowest cost will surely secure the largest amount of business. The probabilities are that at present reduced prices the Ford Co. makes a larger percentage of profit than it did when selling cars at \$1000 each.”

It must be admitted that, in the opinion of *The Financial World*, the Ford Car has attained an impregnable position. This is due to all-round efficiency. Factory efficiency is essential, but it cannot come into

full play until sales efficiency provides it with a large enough turnover to permit the "full play" of efficient factory organization and extensive purchase of materials.

Periods of famine and glut for factory or mill products mean loss to the producer. Lost orders can never be regained. Goods lying in warehouse are eating up profit, or worse. That advantageously situated and efficiently managed and equipped mill or factory which runs uninterruptedly on standardized goods for which there is a steady demand, and never carries more than a safe margin of surplus stock, is the one that can produce most economically.

Left to themselves, supply and demand seldom continue upon a parity for any great length of time. The only known way to keep the cross-currents of demand continuously flowing in one direction, and so create a steady and increasing absorption of product that may continually be anticipated, is efficient salesmanship. Those who wait for demand to create itself are likely to wait in vain, or must content themselves with feverish, intermittent periods of glut and famine—lost orders, and overloaded warehouse with attendant loss on carried-over stock.

Purchase of goods for re-sale, for which there is no established consumer demand, is a pure speculation, not a commercial transaction; and, like all speculative undertakings, requires a wide margin of profit to make it worth the risk. It is the risks of re-sale, and the long time required to turn unknown goods into money, that necessitate the wide margins of profit demanded by the merchant. His possible 40 or 50 per cent. profit will most likely wither to 20 or 25 per cent., or may evaporate entirely in lost interest upon investment, and depreciation, before he realizes on his speculation.

This is the reason why shrewd merchants and shopkeepers have come to see that a moderate margin of profit upon an unspeculative line that rapidly and continually



turns over, is a better money-maker than the line with the thumping big margin, but without active demand. Capital turned over only four times a year, at any given rate of profit, is not so well employed as capital that turns over twice as fast at anything above one-half that rate.

Therefore the steadily produced and steadily supplied and steadily sold line of goods that requires the merchant to carry only an adequate stock frequently renewed, and for which there is a certain and steady demand at a fair margin of profit, affords him a bigger and more certain annual profit than does a slowly moving line of uncertain saleability, although it may show a slightly bigger margin.

Reduction in selling cost is thus effected by those manufacturers who employ efficient advertising to move their goods rapidly and continually. Obviously this economy is effected without hurt to the trader; in fact, he benefits from it. It is not a process that injures any one: on the contrary, it is a positive benefit to every one concerned, and therefore a genuine public good and a national commercial advantage.

In order to establish further a clear understanding of just what is involved in selling cost, to enable a manufacturer to understand intelligently the full significance of its importance, and to study ways and means for checking an inherent tendency to increase, I quote at some length from *Laws of Supply and Demand*. This presents, from a purely scientific aspect, the basic principles of modern business, by the admission of the fact that demand is not a fixed factor of trade, but one susceptible to stimuli applied to the consumer. It also gives intelligent expression to the fallacy of loading production with what are in reality selling costs, and develops the imperfectly understood importance that selling occupies in the commercial world. The quotation is as follows—

“One and the larger part of the cost of selling may be approximately obtained by finding the difference

between the first wholesale price of the completely finished article, and the final retail price at which it passes into the hands of the consumer. Such difference, however, is not by any means the whole of the selling cost of the named article, for the clear reason that there is no manufacturer in the world who does not devote some of his capital, a part of his salaries and wages and the greater part of his own private energies to building up what he would call his 'connection.' In other words, the first manufacturer, before the prime product passes from his hands, has already spent on it indirectly, in one way or another, anything from one-fifth to one-tenth of the net manufacturing cost of the product in obtaining its first market for it.

"It has further to be remembered that many articles pass through more than one manufacturer's hands, and each of these has his selling costs; again, most articles go through the hands of carriers by land and sea, each of whom has his selling costs; and when, finally, the bantling typical commodity emerges into the hands of the first middleman,<sup>1</sup> it finds the loading up of selling cost comparatively only at its beginning stage. The middlemen will have understood their duty badly if they are not able to run up anything from twenty to thirty per cent. on the first wholesale net price. It is our final friend, the retailer, who succeeds in putting on the biggest increment, because he has the hardest task in selling to the consumer. . . .

"The old term, cost of production, in its comprehensive sense is really a function of two variables: one, the net or real cost of production, which may be taken to be the costs of material, labour, and management; the other, the cost of selling or marketing under modern conditions. Of these the latter is generally at least equal to the former, occasionally only slightly below it and often far above it. Where there are great fluctuations in price we must look

<sup>1</sup> The wholesaler.

for them not so much in the net cost of production as in the selling cost, which has to take on itself all the duties of expansion and contraction to suit the market. . . .

"The complicated problem of selling will be continuously better understood, as the study of consumption becomes recognized to be the chief field still undeveloped in economics. When the waywardness of the consumer has been fully grasped the immense task of the seller will be more generally appreciated. . . .

"Besides lying in wait for demand, so to speak, the sellers have often to go abroad and gather it in. Their most usual method of prosecuting this part of their business consists of advertising in its various forms."

A close study of the past ten years' trend of advertising shows that the group of commodities systematically advertised by their manufacturers is yearly becoming more extended. It has come to include practically everything of popular consumption that can be delivered to the consumer under registered marks, labels, or other identification. This is owing to the discovery that no one but the proprietor of the identifying mark can have a sufficiently permanent interest in such identified lines of goods to justify enough investment to develop their thorough distribution, and to create an ever increasing suction of demand for them from the consuming public.

Also a rapidly increasing list of public services, such as the telephone, electric current, and gas supply, is being advertised. Even religious services are beginning to feel the quickening influence of advertising stimuli. The functions of the Government itself were, during the war, reinforced by extensive advertising, as witness the Army Recruiting and the Economy Propaganda, and the Flotation of War Loans, etc. The securing of subscriptions to charitable and benevolent enterprises is another service now successfully performed by advertising.

To prove the fallacy of the common opinion that advertising is an expense, or tax, upon a business, I will here refer, by permission, to a business with which I have been in touch for the past fifteen years, which covers the entire period of its advertising history. In fact, I assisted at the inauguration of its advertising policy.

In 1903 the Oneida Community, Ltd., began to brand and advertise one line of its silver-ware, a line it had been making for several years. Advertising began in a modest way, and in 1904 the total sales were \$500,000. From that date to the present time advertising has been steadily and efficiently applied, with the result that this company, who had no trade-standing as silver-ware manufacturers in 1903, and of whose goods the public was in total ignorance, have now a turn-over of \$4,000,000—just eight times as much as twelve years ago. This has been accomplished in the face of entrenched and nationwide competition that in 1903 almost amounted to a monopoly.

Nor does this tell the whole story. From a position of no standing in the silver-ware trade in 1903, the company have achieved an equality, or better, with their strongest competitor. They absolutely control their sale and re-sale prices. "Community Silver" is a household word throughout America, and is sold by almost every silver-ware dealer of importance.

In 1915 the sale expense of all kinds, including that of advertising, was 3 per cent. lower than the average for the previous four years, and showed a much greater reduction over all preceding years.

During this whole period of rapid expansion, production cost has steadily declined, the result of increased turn-over, due to efficient advertising co-ordinated with efficient trade salesmanship.

Examples of this character afford irrefutable proof of the power of efficient advertising to reduce selling cost and to expand a sound business, and explode the erroneous

opinion that advertising is an expense. Hundreds of similar instances in this country could be cited, if manufacturers would permit publication.

Professor Paul H. Nystrom, a recognized expert on advertising and its relation to business, was recently called before a Congressional Committee of Investigation, relating to the effect of fixed re-sale price of advertised goods. He cited instances of the power of advertising to lower the selling cost of goods.

<sup>1</sup> Professor Nystrom, who at one time or another had 3000 retail dealers and sales-people in his classes in merchandising, had journeyed down to Washington to tell a Committee of Congress that price-fixing by the manufacturer is a benefit to the retailer. Said he—

“A farmer having two fields alongside of each other, that he wishes to test in the production of crops, may apply fertilizer to one; and to the other, we will say, he gives nothing in the way of nutriment to the soil. He is using the original soil in each case, but in one case he is adding fertilizer and in the other he is not.

“Now because he adds fertilizer to that soil, providing he uses correct judgment in its application both as to kind and amount, he gets a very much increased product from the soil; he has reduced the cost of its production on that acre of land as compared with the acre of land he has not used fertilizer on. Advertising is the fertilizer in the field of business. Advertising, rightly applied, reduces the cost of distribution.”

The business of a large clothing manufactory in Chicago was the example chiefly relied upon by Professor Nystrom to bear out his contention that advertising is entitled to be looked upon as a business fertilizer. Said the authority on retailing, relative to this incident: “Before they began to market their men’s suits by the help of

<sup>1</sup> *Printers’ Ink*, New York.

advertising they had a selling expense that ran over 10 per cent. of their sales. They introduced national advertising and have been able to cut their sales expense down until it is now less than one-half of the original amount, and this reduction was due to applying the help of national advertising."

The manufacturer of a small kitchen utensil—a patented article—was the beneficiary in another incident related by this observer of advertising influence. The kitchen utensil was put on the market several years ago and advertised to sell at thirty-five cents. Recently the price of the specialty was reduced to twenty-five cents, and although the period that has elapsed since the reduction has been much shorter than that wherein the article was on the market at thirty-five cents, the sales of the utensil have already been multiplied twelve times and the profits of the manufacturer have been increased many times over.

## CHAPTER II

### THE EVOLUTION OF THE MANUFACTURER

THE middleman all through history has dominated the manufacturer. Carthaginian and Venetian merchant-princes, the Dutch and Flemish traders, and for the last two hundred years a growing chain of middlemen have stood between the maker and the consumer of merchandise and extorted their own terms of purchase and re-sale.

Where in history do we hear of Princes of Manufacture?

The merchant over-lord has always driven a hard bargain. It has ever been his practice to buy in the cheapest market and to sell in the dearest. That he has not failed to feather his own nest and to insure himself against loss is evidenced by the vast accumulation of wealth which has always centred around large and enterprising trading centres.

Nor are these enterprising purveyors to the world in the least to be blamed for their success. In the past they have been the means of welding the world together, of extending the commercial boundaries of one nation into another, and of raising the standard of living among the more primitive peoples to the level of the cultivated and opulent.

In short, they have woven the whole world into one great web of commerce, which in turn has stimulated quick communication and transport, until the world itself, by contrast with its former vastness, seems shrunk to pigmy dimensions. They have done all this, and in addition have accumulated an immense amount of the world's wealth, and commercial and political power.

The bank is the close and necessary ally of the modern merchant, but the bank itself and all forms of commercial credit are, in truth, a heritage from the merchant.

In all this historical procession of merchant-princes, bonds, mortgages, banks and credit systems, what of the man who made the goods upon which rested the whole superstructure of commerce? To-day he is emerging from the obscurity which has shrouded him all through history. The manufacturer is just beginning to look for a place in the sun. He is just waking up. He is just coming into his own.

The manufacturer, as we know him to-day, came into existence along with the invention of steam power.

In the days of primitive water power and hand labour, production was on such a limited scale, and in the hands of so many, that none had the opportunity to develop much beyond the point of personal achievement. Those who did get beyond that point found themselves in the ranks of traders, and in proportion to the success thus achieved took their place in the opulent merchant class.

Manufacturing in any considerable way was first made possible by the application of steam power to more or less primitive mechanical appliances for augmenting or cheapening production. This in turn demanded the centralized factory system, and overthrew the small workshop and home industries.

One does not wonder at the dominance of the middleman up to that point in commercial history where inventive ingenuity applied cheaply produced power to labour-saving devices; and cheap and rapid transport expanded the commercial horizon to include the whole world.

What does give pause to the student, and what seems inexplicable, is that, with all these modern advantages at their command, so many manufacturers even now utterly fail to see their enlarged opportunity, and to realise their emancipation from their historic over-lord, the middleman.



Like the emancipated slave, they do not understand how to use their freedom. In reality they have so little appreciated their new position of power, and have been so slow in taking advantage of their opportunity, that even to-day only a comparative few have burst the bonds of tradition and taken their position on firm commercial ground.

In the early days of transition from simple to complex methods of manufacture, it is fair to presume that the broadening market provided by increasingly rapid and decreasingly expensive carriage occupied the attention of those early in the field of mechanical production. The rapidity of the changes which thus confronted those pioneers may well excuse them from any charge of stupidity which might be levelled at them.

That they continued still to confine themselves to producing the goods, and still depended upon their ancient friend, the middleman, to look after the selling of them—upon his own terms, be it remembered—is not to be much wondered at. They and the generation that followed them were in the midst of a war of mechanical invention of bewildering complexity and rapid movement.

Labour-saving and cost-reducing inventions came along in rapid succession. To keep production costs down to the level of that of his competitors required each manufacturer's unceasing vigilance, and left him little opportunity to study the intricate commercial or selling problems to which he was a stranger.

If he could keep his production costs down to the point that permitted him to unload his product upon the wholesale merchant and leave him a fair factory profit, his only problem was to continue to do so upon a sufficiently large scale to secure fair dividends upon his investment in works and materials.

If successful, he gaily went on extending his works and increasing his turnover, and investing his profits in other enterprises conducted upon similar lines: for new and

waiting markets were continually presenting themselves, and the world, because of increased production and intercommunication, was rapidly accumulating wealth and expanding in purchasing power.

Affairs might have gone on happily in this way if new markets had continued to unfold, for it must be borne in mind that this rise of the manufacturer had in no way intruded upon the middleman. He had all along been making his quarter while his more humble friend, the manufacturer, had made his dime, for the long profit still remained to the merchant. But these halcyon days of unoccupied markets came to an end and the clash of fierce competition began.

Until about twenty-five years ago the increased cost of selling had been outbalanced by the decreased cost of manufacturing so that prices could be steadily lowered, and efficient sales methods were not of such pressing necessity as they have since become. In the last quarter of a century the costs of selling have increased far more rapidly than costs of manufacturing have been lowered, and the necessity for a reduction in sales costs has become more and more apparent.

The popular economic fallacy promulgated by most political economists, that price tends to approximate to cost of production, is thus clearly demonstrated by the author of *The Laws of Supply and Demand*, who says—

“The world, the economic world, which had formerly been a series of microcosms, where prices of various commodities were locally governed by alternate monopolies and gluts within little rings with only occasional communications outside, became at once a series of national worlds and then rapidly a world-world. The new facts were so alarming that many nations ran to cover, so to speak, behind tariff walls, which necessity compelled them to build up higher and higher.

"The chief fact that stared economists in the face was a change for the better in the rate of production. What was not so obvious was, that there was also a retardatory change in the rate of improvement in the cost of marketing. There was an imaginary curve of price rapidly approaching an imaginary straight line representing the ultimate minimum, which consisted of interest, material and wages. But while rapidly approaching it, the curve was really asymptotic to the straight line, in other words it was approaching it at a gradually decreasing rate. On a superficial view of the facts it became easy to adopt a theory of perfectibility in economic science, and to follow it up with the further deduction, found to be erroneous, that price tends in the long run to approximate to the cost of production."

Experience has proved that prices do not necessarily tend to approximate to the cost of production. Price is the sum of three items: cost of production, cost of selling, and profit. There has been during recent years an enormous expansion of the second factor. Increased cost of selling has developed faster than cost of production has decreased. At the present time selling presents greater opportunities for the practice of economy than does manufacturing, and offers more scope for intelligent, constructive business development.

The manufacturer who neglects to analyse closely his selling costs, and refuses to employ the most efficient means for reducing them, has no possible chance of permanent success. This is not a newly discovered fact, but it is one accentuated by present unprecedented economic conditions.

Selling costs more and more determine price, and this factor of price diminishes as the suction of demand increases; therefore, as the suction of demand depends upon the desire of the public for the goods offered, and this desire can only be stimulated by efficient advertising,

it follows that prices can be kept level or reduced by efficient advertising.

A most important factor in the cost of goods to the consumer is the time that elapses between production and consumption. Capital locked up in goods in warehouse, or on the shopkeeper's shelves, is "eating its head off" as truly as an unemployed horse at his manger.

Advertising and trade-marks working together are the most efficient and most rapid movers of goods—therefore they afford the most efficient means for reducing selling cost. When one buys a non-advertised and un-trade-marked article of limited sale, and unknown origin, one pays interest on money tied up in goods that move slowly, and one also pays greater production cost by reason of the limited volume of production. This increased cost of production, and interest charged on slow turn-over, the consumer must pay in either higher price or lower quality, or the excess in selling cost must be absorbed in a reduced profit to producer and middleman.

Somewhere about a generation ago the seeds of a great revolution were sown by some manufacturers, more far-seeing than the rest.

Invention in cost-saving devices for production became of less and less importance and seemed to be settling down to a dead level of monotony. Transport of goods seemed to have about reached its maximum of efficiency and minimum of cost. All the markets of the world had been penetrated by the ubiquitous merchant, and the struggle of the manufacturer was largely one of tapping cheaper sources of supply and increased outlet for product. He had begun to feel the pinch of a shrinking world-market. Increasing competition faced him in every direction.

This last problem was the seed of a revolution, which, at first scarcely noticed, and wholly unheeded by the majority, slowly, as do all evolutionary results of revolu-

tion, developed into a resistless force which now threatens destruction to all who oppose it.

In seeking for additional outlet those pioneer merchant-manufacturers, for such they were, discovered that they had never been in touch at all with the real market. They began to see behind and beyond the middleman, who had all along been obscuring the truth of the situation; who by his clever dexterity had all along concealed the manufacturer from the consumer and the consumer from the manufacturer.

A few exceptionally shrewd manufacturers, of sanguine temperament and long-range vision, kept their eyes on the new and interesting discovery—the consumer. They began to put two and two together, and finally woke up to the now obvious truth that *he*, the consumer, is indeed the “market” for which they had so long been making goods—but “not making good.”

They said to themselves: “There are so many million people who need exactly what I am making. They are every day buying something for exactly the same purpose as mine is intended. Some of these things are just as good as mine, some are not so good, and some are absolute rubbish. Some of them cost more than mine, some just the same, and some less. The public does not know whose goods it is buying, and it does not care, but if it knew that it could not get anything better than mine at an equal price, and if it could identify mine, and was entirely satisfied with them, I believe they would be asked for at the shops. This should result in a much larger sale of my goods.”

Thus these intrepid explorers into unknown market-lands reasoned with themselves. Some of the bolder spirits marked their goods plainly, so that the consumer could easily identify them; and with more or less enterprise, and by such crude and untried methods as were at hand, they began to advertise their goods to this newly discovered consumer.

It was not to be expected that the merchant would stand supinely by and see the manufacturer attempt to usurp his historic functions. He only smiled in derision at first, but as he saw those particular branded and advertised goods steadily slip from his control and creep into larger and larger demand, he ceased smiling and began to strike back by offering at less price, similar goods, but more cheaply turned out, to enable tradesmen to secure a larger profit than on the advertised goods. Naturally the tradesmen looked upon this as a clever scheme and spared no effort to push the substitute. And they succeeded to some extent in doing so.

But now the tradesman received a shock. All along he had dictated to his customers what they should buy; now he discovered that an important part of them, those who had found the advertised goods to their liking, refused to take the substitute. On pain of losing their custom Mr. Tradesman compromised by keeping the advertised lines for those who preferred them.

In this way the middleman's stronghold was broken into, and the bold pioneer manufacturer-merchants established the truth of their discovery of the consumer and of his power to control sale. Their advertising efforts were no doubt crude, but they had the great force of originality to pull them through to success.

One after another, new and varied lines were similarly launched by other manufacturers who had watched with increasing interest the success of the original adventurous advertisers. As demand for advertising increased, new media and improved methods were originated, and gradually the present marvellously intricate and extensive system of selling by advertising came into vogue among many manufacturers producing a very wide range of goods.

The public has now become educated to the idea, and consumers have come to respond to advertising stimuli to such an extent that it is increasingly difficult to

introduce a new article successfully without adequate advertising, or to maintain the sales of an established line without such aid.

But with all the past and the increasingly striking present advantage in securing the good-will of the consumer, many manufacturers still refuse to take him into account and continue to rely principally or wholly upon trade salesmanship to promote business.

I have had frequent striking experiences of this one-sided development of many prominent and most highly respected manufacturers.

As a result I have come greatly to respect the high business morality that is so dominant a factor of their achievement. But I have often found sentimentality masquerading as morality and a weak obduracy reckoned as strength of character as regards long-established entangling trade alliances with respect to both buying and selling; entanglements without legal standing, but veritable mill-stones of destruction.

I have been privileged to discuss modern selling methods with many of Britain's and America's oldest and largest manufacturers. Many of these interviews, all of a confidential character, disclosed actual, existing conditions that are not only surprising but also pathetic.

It is sad to know that a great house has fallen upon evil days; that its prestige is on the wane and that it is gradually falling further and further behind its former premier position. This does not necessarily imply present diminished profit, but it points unerringly to a time when past momentum will become exhausted, and to a gradual slowing down in both turnover and rate of profit unless the situation is bravely met by radical changes in policy and method.

Prestige is a tremendous asset, and any decay of eminence is a mark of diseased conditions requiring immediate and drastic treatment.

I have listened to surprisingly frank statements from

directors of important businesses that have been in the very front rank of industry for generations, and that are to-day regarded as leading concerns, statements that disclosed the canker of ineptitude in policy and method eating the heart of hope out of the future. None of them evinced symptoms of early paralysis, nor were they as yet deficient in vital energy or capital, but year by year they saw their lead being diminished, as others, by more vigorous and modern methods, were forcing them into second or third place.

Unfortunately those who have succeeded by any certain policy are likely to fail to see any necessity for change. They will place all the blame for the failure of their hitherto successful method upon anything or everything before they will admit the actual truth, which is that their pet policy is out of tune with existing conditions.

The fact that the business is still making good profit—possibly as great a profit as it ever produced, blinds these men to the danger of the rocks upon which their long-cherished business is drifting—the loss of prestige.

It is only the men with open minds and clear vision, who are peering into the future, who see the rocks ahead, and who are concerned to see more enterprising competitors at the same time taking the “wind out of their sails” and the profit out of their *sales*.

In many cases sons and grandsons are seriously concerned in the continual subdivision of interests resulting from family inheritance. In a business founded by one group of men there is a rapidly increasing ratio of division of capital with respect to succeeding generations, that requires increasing profit from the business or else a constantly decreasing income to each individual shareholder.

It is, therefore, a vital question whether a business is to be allowed to stagnate or to be pressed forward to still greater profit-production by the application of necessary stimuli and economies.



To this end it may be necessary in many cases to terminate old and sentimental trade connections. Special agencies and terms of sale and territorial sale concessions must all be carefully considered with reference to a forward policy, and ruthlessly terminated, if found to clash with the vital future interests of the business.

In the emergency that now confronts the business world it is to be hoped that stubbornly conservative men will consent to relinquish somewhat their traditional opposition to innovation, and will yield to new conditions. The interests of business lie ahead instead of behind. It is necessary that modern methods be applied, not only to keep the ship afloat, but also to keep it in its traditional front position—in other words, to preserve and increase the good-will of any business, and business as a whole.

Perhaps nothing would better illustrate the rudimentary state of the merchant impulse, in the average manufacturer even now, than the frequent suggestion, made to me in all seriousness, to undertake both the execution, and also the financing of the advertising of a line of goods, with profit and repayment of expenditure to be based upon an agreed percentage figured upon the increase in turnover, as the result of such undertaking.

Such a proposition may not seem ridiculous to one who has not given the subject much thought, and would seem a business-like suggestion to one who did not realize that advertising is selling *plus* the creation of good-will. It will take, however, but a few words to show the futility of any such scheme.

In working out such a proposition what would be the necessary demands or conditions that I should be obliged to impose? I should necessarily be forced to require full control of the quality and price of goods produced; I should have also to insist upon a full control of the entire selling organization.

Granted that, in my opinion, the article to be sold

conformed to all the requirements of value and price, and that the supply could be kept up to any demand that might result from efficient advertising, I should be obliged to take over all the detail of the business except that of production. I should have to do so to protect my advertising expenditure, the efficiency of which would depend upon all the factors of efficient selling, including the packing and prompt delivery of goods, price, terms of sale, personal salesmanship, etc. I should have to stipulate a contract period sufficient to ensure me the accumulative value of my advertising. This would also include the permanent good-will resulting from my efforts. In short, I should have to insist upon a permanent control of the business, or an additional payment, besides my agreed percentage upon turn-over, in lieu of good-will beyond termination of contract, a factor that could not be predetermined with precision.

It would be much simpler and more business-like for me to agree to pay a fixed sum for the existing trade-mark value of the article before the advertising began, and to stipulate a style, quality, and price for the goods to be made up to my order. In this latter case the business would be mine both in form and substance, and what I succeeded in building it into would be mine. In either case the manufacturer would sink all prospect of being more than the mere maker, and would have to content himself with a manufacturer's bare competitive profit. It is the man who sells the goods and controls the trade-mark to whom the substantial profit and good-will accrue.

This also indicates the futility of expecting a distributor or sales agent, or indeed any one other than the owner of the trade-mark, to undertake systematically to develop its value.

Any established manufacturer who fails to trade-mark his product, and who delegates his selling to outsiders, must expect to surrender such good-will as he may possess,

or to see it melt away altogether at the first breath of efficient competition. In the case of a new product by a new concern, such archaic methods preclude the development of any considerable good-will.

The manufacturer who refuses to trade-mark or identify his product, and to advertise it to the consumer, must be content to be a mere producer. Good-will, with its attendant reduction of production costs and sale costs, is only for those who have sufficient enterprise to meet modern trade conditions in a modern and efficient way.

## CHAPTER III

### THE MANUFACTURER AND THE CONSUMER

It costs more to sell than to make most goods that are consumed by large classes of the public.

In staple lines, goods which can be considered neither as luxuries nor novelties, total selling cost will average 100 per cent. to 150 per cent. of production cost. In specialties of most lines, including drugs, groceries, textiles, hardware, clothing, furniture, musical instruments, typewriters and office supplies, etc., the sale cost is often higher.

The mere departmental selling expense in staple lines will alone cost the manufacturer from 4 per cent. to 10 per cent., while in specialty lines it runs up to 25 per cent., or even 50 per cent. In luxuries there seems to be no limit.

When it is remembered that there are many additional selling charges which must necessarily be added, that in its passage to the consumer an article has to be taxed, for handling, freight, and profit, by every individual through whose hands it passes, it becomes increasingly clear that selling cost is a subject demanding close analysis and study.

*The golden rule to be observed in the consideration of any plans for the reduction of selling cost is that such cost declines in proportion to the suction of demand for the goods.*

That manufacturing costs, under present conditions, need to be kept to the lowest point of efficiency is obvious. Scientific research and the unrestricted use of labour-

saving devices are necessary. Works must be remodelled to facilitate the rapid and convenient handling of product from the raw material to the finished article. Efficient organization of administration, execution, and labour must be carried to scientific perfection. All waste of time, energy, and material must be eliminated. Obsolete ideas, methods, and machines must be ruthlessly flung upon the scrap-heap. All these things will be easily understood by every manufacturer who may be expected to survive for any length of time the shock to the world's finances resulting from the Great War. Price competition will be keener than in the memory of living man.

But all that may be done in reducing the manufacturing cost of any article produced for popular consumption will not suffice to do more than prolong the death struggle of those who continue the inefficient and expensive selling methods generally in vogue.

This greatest of all leaks in business has been steadily increasing. It has been growing during the whole period of the rapid development of competition that began with the introduction of the factory. Power production, and the widespread distribution of goods, which resulted from the modern facilities for quick and cheap transport, have so interlocked the whole world in competition that the expense of selling has steadily become an increasingly important factor in the price of merchandise.

In the days of individual industry and village workshop, and the neighbourhood sale of the product, making was the prime factor of cost, and selling a mere incident. With the enormously increased production due to invention; the development of the widely extended market; the encroachment of every manufacturer upon the domain of every other manufacturer, and the resultant competition, selling cost was sharply forced up, while the cheapening of power, and the introduction of ingenious labour-saving appliances, methods and processes that

enormously augmented volume, sharply forced down the cost of production.

The result of this transposition of the two factors which indicate the price at which any article can be sold at a profit has not been sufficiently recognized, and unfortunately most manufacturers are still unaware that to-day there is vastly greater opportunity for saving by reduction of selling costs, than by further reduction of manufacturing costs.

Mechanical invention seems, for the present, to have exhausted itself, except in making more or less important improvements upon existing machinery. The great root of all our past industrial achievement—steam-power—seems unlikely to be soon superseded by any other basic principle of power production. Until we discover ways and means for freely harnessing to our use the solar ray, or the ebb and flow of tide, or the giant grip of gravitation, or the cheap accumulation of static electricity, we probably shall not witness another genuine revolution in costs of production and transport with respect to which we are now all upon an approximate level, or can be if we utilize the appliances which are available to every one alike.

The great overshadowing problem that confronts the manufacturer, the problem that must be courageously met and intelligently solved, if he is to improve his position, is not capital, nor materials, nor labour; it is not production. It is efficient distribution—selling.

Although, in the United States, manufacturers, and business men in general, have of late years, given more attention than heretofore to the study of the problems of distribution, there is still much to be learned, even by the more progressive. In this field intensive study pays.

Salesmanship is by far the more important and difficult of the two prime factors of manufacturing success, because the factory deals with material things that can be weighed

and measured and tested by exact and fixed standards, and its human element is dealing only with duplications. An exact pattern or formula or gauge can be applied at any moment. Any divergence can be instantly detected and corrected.

But selling has to do at all times with that unsubstantial and infinitely variable force—human nature—acted and re-acted upon by the whirlwind of circumstance. Time and place, sentiment and passion, hope and fear; all the grinding vicissitudes of competition and the fluctuating purchasing power of the public, have to be constantly reckoned with. Indeed, they must be anticipated. Sales efficiency, therefore, demands a higher type of intelligence than factory efficiency.

Every manufacturer is an embryo merchant, but the majority never reach even adolescence, and but few develop to maturity. All through history we find the merchant a man of importance, whereas we find little or no mention of the manufacturer—the maker. Wealth seems always to have dogged the steps of the merchant. Even to-day we find him hedged about with wealthy communities, financial institutions and facilities of exchange and credit, whereas the neglected manufacturer is left alone to sink or swim on the ebb and flood of the tide of fluctuating prices set in motion by his over-lord—the merchant.

Manufacturers may now be roughly divided into two classes: manufacturing-merchants, those who are efficient producers of goods, but who understand but little of the art of selling, and merchant-manufacturers, those who are efficient merchants skilled in production. The latter class will control America's commercial destiny.

The most casual examination will discover that those who are outstandingly successful most closely approximate to the definition of merchant-manufacturers, yet in face of this fact, by far the larger number are decidedly of the other class.

No one can properly be considered a merchant-

manufacturer unless he thoroughly understands and efficiently employs those sale-forces which have been proved to be necessary to the most profitable extension and maintenance of sales.

In this discussion of the "sales side" of the manufacturer's problem it will be assumed that we are dealing with a trade-marked and plainly identified article well calculated to satisfy the consumer: that it is economically produced to withstand competitive prices: that there is an existing or potential need to which it fully conforms, and large enough to justify the employment of the capital and enterprise required.

In these days of better and better organized competition, the man who believes that he can successfully market any article of popular consumption by merely producing it of standard value, but at a cheaper price than his competitor, or of better value at an equal price, is doomed to disappointment, because, to ensure profitable development, its sale-value must be made known to the middleman, and its use-value to the consumer.

It is much more certain that a man with a thorough grasp of salesmanship, but without manufacturing experience, can succeed with any given amount of capital, than can an experienced and established manufacturer who is lacking in salesmanship. There are a hundred men who can successfully produce an article to one who can successfully market it.

The sales side of a manufacturing business is the big side and demands the big man. The sales department must never be the place for cheese-paring. Everything depends upon the Sales Director. He must be given all the opportunity he can measure up to—and some more. If he cannot measure up to his opportunity—cut him out, just as one would cut out an engine that cannot produce the power required to turn out one's goods. An additional engine might be safely employed to augment inefficient factory power, but two inefficient sales directors



will not make an efficient one. Divided human responsibility usually lessens individual efficiency.

This question of selling is the great question before the manufacturer to-day—the greatest question. It is a question that demands an intelligent and effective answer, for upon it hinges the future success or failure of nine-tenths of all manufacturing concerns devoted to the production of articles ordinarily required by the public.

The manufacturer cannot ignore the modern aspects of salesmanship, or adhere stubbornly to precedent and tradition. He must bend or break. Dogmatic opinion is not safe opinion these days. Open-mindedness and pliancy is better calculated to win. It is never the young, yielding tree that falls before the wind; but the rigid, hoary old monarchs of the forest that are weakened by dry-rot.

Conservative and old-established houses cannot rely upon reputation and prestige to carry them along. The buying public is slow to learn and quick to forget. The wise policy is not to allow it to forget. No business is so well-established that it can live on the vitality of the past.

The War is not going to bequeath to us a new Heaven and a new Earth, but it is going to endow the land with a type of manufacturer who will turn his back to the past, and who, open-eyed, and with focused imagination, will understand present market conditions and foresee the lines of future trade evolution.

This man will vivisect his selling methods and retain only those parts that are healthy and efficient—the rest will be discarded. He will re-create and re-adjust and re-organize this most vital of all present-day departments—selling; and re-endow it with the vitality of new ideas, not because they are new, but because they are required by existing conditions.

Instead of blaming the Government, or labour, or his competitor at home or abroad, he will put the blame for

past errors in selling methods fairly and squarely on himself. Like a skilled surgeon, he will insert his scalpel into the affected part, and intelligently amputate the unhealthy growths of egotism and self-satisfaction that have so long blinded him to the only means for extensive economies, for extending his production further into existing or potential consumption and for bridging the gulf between his warehouses and his consuming public in the home market or overseas.

Future success in manufacturing requires one courageously to enter the merchant-manufacturer's class and to possess a firm grasp of modern selling methods.

The manufacturer who subordinates his sales department, whether it includes many or few individuals, or indeed if it consists of but a section of his own individual responsibility, is out of step with present conditions. What is demanded is a sharp accentuation of this prime factor of success.

Let none make the fatal mistake of believing that the new conditions apply only to newly established concerns. Indeed, it is the long and well-established concern that most needs admonition. The paralysis of over-confidence is the greatest commercial peril.

No business concern is permanently established. Success is a process—never an achievement, and the governing mind, or minds, behind any commercial effort must possess foresight as well as hindsight, breadth as well as depth, backbone as well as wishbone.

Imagination is absolutely essential to success. Business men never were confronted with greater difficulties than now—nor with greater opportunities. But vivid imagination is necessary to peer into the future—to get the correct perspective. The past is gone, but present circumstances must be gripped firmly and studied with respect to the future. Not what has been done, but what requires doing, not how things have been done, but how best to perform the present task, is the pressing problem. That

the solution of this demands an open mind and a closed resolution must be evident to the veriest tyro in business.

It is obvious that a re-shaping of policy is less difficult for a small, young and vigorous business than for a larger one, long established and cast in rigid moulds by ancient traditions; the pressing necessity for revolution is proportionately greater in the latter.

Here precisely is where the fate of business in its larger meaning hinges. We are in the balance. Against our increased difficulties we must pile will, open minds, vision broad and comprehensive, courage, and determination unalterable, and every possible aid to efficiency in securing and broadening sales at a profit.

American production must now be established on a foundation so deep-laid, broad, and imperishable that no shift of the sources of material supply, or unlooked-for thrust of competition, can disturb or destroy it.

Markets must be studied with diligent and unceasing care. This study of markets is one of the matters to be approached from a point of view entirely new to most manufacturers. No progress can be made, no present position can be maintained, until the "market" is understood to be the "consumer."

No one who ignores this great modern discovery, which is to modern business what the atom is to modern chemistry, and the individual voter is to modern politics, can hope to hold his own against his more advanced and practical competitor who brings this irresistible leverage of selling power against him.

The wholesale merchant and the retailer have a necessary and important place in the uplift of America's industrial world, but neither the one nor the other, nor both combined, should be confused with the "market."

The market is the potential power of any community to absorb merchandise, and in modern sales science the middleman should be primarily regarded as a part

of the distributive machinery required to keep the manufacturer's product convenient to the hand of the consumer.

The part that the middleman plays in the exciting commercial war which we are now entering is that of the Supply—to keep the fighting edge of our manufacturing forces supplied with everything required at the “front.” But he must not be expected to do the fighting. The manufacturer who depends upon the middleman to fight his battles for him must be content to surrender not only by far the larger part of his profit, but also all hope of building up a permanent good-will in his product. This because of the never-to-be-forgotten fact that the middleman can have no vital interest in building up a permanent trade in another's commodity. Nor should he be expected to do that which is plainly the work, and to the advantage, of the proprietor of the Mark of Identification.

It is the trader's business to buy and sell goods that yield him the greatest profit. But “profit” is sometimes misunderstood to mean only the difference between the purchase price and a hoped-for selling price. The latter may be so slow in materializing that the period of waiting may consume all the possible anticipated margin, or it may never be realized, and actual loss be incurred in the seemingly brilliant transaction. The successful merchant must, of necessity, keep the profit side of every purchase constantly in mind, but he will none the less give due consideration to the quality of the goods he offers to his customers. If he hopes for continued success he must draw about himself a continually widening circle of satisfied customers.

Successfully advertised goods are themselves a guarantee of satisfaction, and therefore the enterprising trader is influenced to buy them—not necessarily because he considers them cheaper or better, or because they yield him a greater profit—but because they better satisfy his customers.

In trade, it does not follow that a dealer can increase his actual margin of profit by substituting goods that carry super-wide profit margins for advertised goods that show only a fair margin of profit. Cheaply bought stock is not necessarily profitably sold. Rapid and steady turn-over on a fair margin will show a bigger annual profit than slow-moving stock that carries a much wider margin.

Any manufacturer's market is the potential power of a community to absorb his goods, and his salesmanship is measured by his efficiency in securing the purchase of his goods by that community, in the largest possible quantity, at the greatest possible profit to himself.

It is axiomatic, that only by increased consumption can increased sales be secured. It is no less self-evident that increased consumption can be secured only by an increased interest and acceptance, or demand, from the consumer.

Here we have arrived at the heart of the whole matter. The consumer is the corner-stone of any important manufacturing enterprise that may be expected to endure under existing conditions, and "sales" includes all those operations necessary to secure the *distribution* AND CONSUMPTION of the article produced.

Therefore there cannot be sales efficiency unless efficient means are utilized for stimulating and permanently developing the good opinion of the consumer.

The intricate process of selling begins in deciding the character, quality, and price of the article to be produced. It must be designed to meet an existing or potential need; it must possess a quality to ensure the consumer's satisfaction, and to "stand up" against competitive goods; it must be sold at a price to put it within the reach of the class for which it is intended.

In considering this last point, production cost and sales cost must be combined, and the required margin of profit added. It makes no difference by what means the goods

are sold, all cost of selling must, in the end, be included in the final selling price to the consumer.

The consumer has, of necessity, to bear the whole burden of cost and profit, including production and producer's profit, wrapping, packing, delivery—and all middlemen's charges for handling and profit. In these items must be included interest on capital employed, labour, supervision and administration. The consumer pays for the oil used on the engine, the ink used in printing the invoice, the book-keeper's pen, the chair-man's mahogany desk, the cost of cutting the grass in front of the office, the director's motor cars, the page's buttons, the firm's subscriptions to charity, the very smoke that floats from the tall chimney; and, finally, the simple or elaborate tomb to mark the last resting-place of the body of the man who possessed the requisite genius to make the whole dream a reality.

It does not, therefore, seem reasonable to leave the consumer out of the selling calculation. That he is an important factor seems evident, yet in the face of this self-evident fact the majority of manufacturers either wholly ignore him or relegate him to the lumber-room of half-remembered things. "He" should be placed upon a pedestal in every board-room, and upon every director's desk. There should be a gramophone in every manufacturer's office, and it should for ever repeat "Remember the Consumer." Every Sales Manager in the land should have a parrot in his bedroom, trained to say, "Good-night! Did you tell the Consumer?" and to wake him with a cheery "Good-morning! Tell the Consumer to-day!"

If there is one thing more than another that the American manufacturer needs to take to heart it is the consumer. How to find him and how secure his good-will and cooperation is the solution of the problem of demand—and reduced selling cost.

The relation of supply and demand depends upon the

*pull* of the consumer for the goods. If the pull slackens, the demand ceases, a period of glut ensues and prices become unstable. The pull of the consumer must be maintained to avoid glut and to ensure steady and economical production at uniform profit. The steady business is the profitable business.

There are only two ways of avoiding glut: by limiting supply, or by stimulating demand. In discussing the Law of Demand, Mr. Dibblee, in *The Laws of Supply and Demand*, says—

“Wherever the supply is kept under sufficient control to secure the suction of demand the Law of Demand comes gently into operation, enough to maintain prices in the condition which is called firm, that is, under circumstances where considerable quantities can be disposed of without lowering values.

“The critical point in the correct statement of the law of rising demand is that the tendency of demand to increase indefinitely until satisfied is always present. Demand, being generally a group of values, but not necessarily more than one, is always tending upwards so long as it remains unsatisfied. What arrests this tendency is usually the disinclination or incapacity of the buyer to pay the required price. Where the incapacity is absolute, demand is necessarily abortive, but if it be a mere matter of disinclination the arts of the seller may modify or remove the barrier.”

In closing a chapter upon Intermediate and Secondary Demand, he says—

“One of the results of our present study we may take to be the right appreciation of the enormous and costly selling machinery required in all trades and the vital utility of the information thus expensively obtained by the linked chain of intermediaries from the consumer and handed on to the producer. The result is the simplifica-

tion of function by the elaboration and perfection of the instruments. Looked at as organized human machinery, the system is more complex than any other product of our civilization and vastly more so than our inefficient and calculated institutions for the purpose of war or government. It is directed automatically by a subconscious intelligence, which, as a whole, is greater than the most highly perfected mental factor in the long series of its parts. The final purpose of this intelligence, which it pursues with an intense energy and tenacity with only occasional faltering from success, is the maintenance of the balance between the sacrifices of the producer or seller and those of the buyer or consumer, a purpose which it carries out by a double method, by the control of supply and by the manipulation of demand.

"The doctrine of business procedure evolved from our argument is this, that with the advance of the world towards ever greater and cheaper productiveness, requiring always larger aggregates of capital, the initiative in exchange has to be taken more and more by the seller. This is true whether the initiative is taken by those producing goods, as in agriculture and the textile trades, or whether, as in shipbuilding and engineering, there are immense plants and highly trained mental and manual operatives kept waiting for orders; or again, as in the learned professions, where the product of able and expensively trained brains is offered for sale. Under all circumstances the seller has to take the risk and wait, cap in hand, to be employed, or to dispose of his goods."

The obvious method for maintaining prices, that of holding back stocks or checking supply by individual control or by combination, is gradually being supplanted by the more adroit and business-like method of stimulating demand. This point is amplified in the same valuable work, in a chapter devoted to the "Manipulation of Demand," which says—



"One of the causes why scientific economics seem so unreal to the practical man, apart from errors in theory, which he might not himself be able to correct, although he might suspect their existence, is the strangeness of an atmosphere where selling things is taken for granted. In the imagined world of the books, goods which are produced pass to the consumer without comment. In the practical world of commerce, the prevailing impression conveyed by the perpetual efforts of every one is that goods are everywhere and the customers have hidden themselves. . . .

"The term 'the manipulation of demand' should appropriately be applied to the common mechanism of securing, retaining and humouring customers.<sup>1</sup> One can classify the methods of doing this as three. The first is to live with your customers, make them your friends, and build up a personal connection by exchange of favours, custom and hospitality. This was probably at one time the universal and sole way of doing business, and largely prevails still in old-fashioned countries and small communities; but it is being rapidly broken down by the abundance of modern production and the vast sphere of exchange which is required by the modern system. Another method is to seek out your customer, wherever he be, personally or by means of an agent or employee. The third is to use all the known arts of inducing him to come to you. . . . Attracting the customer to the seller certainly absorbs annually more expenditure than can be conceived possible by the uninitiated."

Attracting the customer by whatever means is "advertising." Anything must be advertised in some way before it can be sold. Middlemen must be educated to its advantages or sale-merits in order to secure its distribution—

<sup>1</sup> Manipulation of Demand includes the establishing and maintaining of smooth relations with middlemen through whose hands the goods are required to pass, but it is primarily concerned with the potential consumers of them.

a place for it in the market—either by crowding out some competitive article, or by creating a demand which has not before existed. The consumer has to be educated to its advantages or use-merits to induce consumption.

Concerning the power of efficient advertising to decrease selling costs I quote from a leading authority—

“Any trade-marked staple which sells on individual merit has the same road before it. If it would rise above the dead level distinctions of quantity and common name it has to turn its selling expense into advertising channels. It must sell not to buyers of a generic commodity, but to buyers of a marked *quality*. And the selling expense of doing this has a ‘come-back’ action like insurance renewal commissions—it compounds itself without effort as time goes on—making the cost of selling per unit less and less.

“The serious problem before the large company of manufacturers who already comprehend the economies of advertising is so to study advertising methods as to decrease selling costs still further, and achieve, in the shortest time and for the smallest sum, the largest volume of business.

“Clean-cut, well-considered, and closely adapted advertising is bound in the future to cut this enormous selling expense very materially, and put manufacturing on a more stable and effective plane.”

## CHAPTER IV

### THE MACHINERY OF DISTRIBUTION

THIS book is written primarily to set manufacturers thinking along new and improved lines of salesmanship, but it also has a distinct message to all those middlemen who constitute the machinery of distribution.

Every wholesaler and retailer will admit to himself that, during the last twenty-five years, sale organization has been steadily developed by the manufacturer, and that the middleman has become specialized more and more as a distributor.

Existing functions have necessarily to be modified or destroyed before evolution can perfect a progressive purpose. The world is now passing through a stupendous revolution, and there is no reason to doubt that it is a spasm in a great evolutionary struggle towards improved conditions. No one need fear these arising conditions, except those who stubbornly refuse to adapt themselves to meet the impending changes.

This is just as true of the trader as of any one else. The machinery of distribution may require to be overhauled and fitted with certain new and improved parts, and more than likely some of the old and obsolete wheels, bearings, and pinions will require replacement. Possibly the machine will be geared to run at a different speed, perhaps by electricity instead of horse-power, but when all the re-adjustments have been made, it will still be the old machine, endowed with new powers and new functions, and purposes and responsibilities, to conform to the new demands of trade.

From the very beginnings of American business the wholesale merchant has held a high and an honourable position. He has developed our domestic trade to a point never before reached in the commercial history of the world, and he has reached out, though not as aggressively as the wholesale merchants of other nations, for foreign trade. The wealth of the nation is, in a large measure, the measure of the sagacity and the courage of the men who have ventured largely and have won. In the great days that are to come they will fill a larger place than ever before.

It was the strain of commerce to keep in touch with the world's markets that developed the ever-increasing network of steamship lines, and the attending web of cables, and all other accelerated methods of world-wide communication. No honour is too great for those men who were sufficiently bold and sagacious to accomplish all this. But human progress cannot pause with eyes fixed upon past achievements. Those who have inherited the glory of America's commercial past are also responsible for its future. They must be as bold and sagacious in meeting present and future conditions as were their predecessors.

Buying and selling merchandise has already been pruned of much of its speculative character, by the steady intrusion of the manufacturer into the domain of the merchant. Fixed sale and re-sale prices, and pre-determined rates of profit allowed to middlemen, have, no doubt, appeared to the jostled and resentful merchant as unnecessary and brutally arbitrary, but there are always two sides to a story, and the entire blame for any unsatisfactory trade condition is seldom due to one party in a controversy.

I have already explained how, as the primal trade-hunger of the world became satisfied, and later on satiated, by cheap production and cheap and rapid transport of goods, competition became more and more keen. Attempts to restrict supply, as a remedy for constantly

recurring periods of glut, proved abortive, as do all attempts to ~~check~~ natural laws. Existing capacity for production ~~required~~ to be employed, and accumulated wealth ~~continued~~ to seek investment in increased means of production.

With the whole commercial world interlocked in competition, with ~~no~~ unoccupied markets to exploit, and manufacturing capacity in excess of consumption, it was indeed a condition and not a theory that confronted the manufacturer. To keep busy an increasing number of mills and factories, each endowed with increased productive capacity, in a circumscribed market, although its boundaries were world-wide, was indeed a problem. It was a problem for which there could be only one solution. If the area of the market cannot be increased it is obvious that it must be better cultivated. The condition is parallel in agriculture. A thousand nomadic people will starve upon an area of fertile but uncultivated land that will support millions when brought under intensified cultivation.

It is, therefore, not strange that the hard-pressed manufacturer instinctively turned toward better cultivation of his market as the only possible means for keeping his outlet of goods level with his output. His was the problem of making two or four or more blades of grass grow where only one was growing. He must multiply the consumers of his goods. He must study the potential rather than the existing consumption of the market, with a view to developing it by intensified selling methods. The fertility of the soil, rather than the uncultivated crop it yields, is the measure of the market, as it is of the land.

This is the point at which the pre-competitive selling methods broke down. The selling machinery of the world had been built upon the supposition that demand was a fixed factor in trade, and that selling was only a process of supply and distribution. Those entrenched in the

market-places adhered to this formula. They did nothing to help the manufacturer, who saw goods piling up all about him, and no increasing consumption of them. He was thrown completely upon his own resources, and as necessity is the mother of invention he contrived somehow to solve his problem. He marked his goods, that the consumer could identify them, and by advertising began to induce more than his previous share of consumers to buy them.

Undoubtedly those pioneer advertisers had only this one thought—to entice customers from their competitors, and so build about themselves a more compact and larger circle of buyers. In this they succeeded, but they also discovered a great commercial truth—that *it is possible to increase purchase by stimulating or cultivating demand: that advertising is a fertilizer of sales, literally creating new demand: that its chief value is creative rather than divertive.* This is a subject discussed elsewhere in this book. Here it is only necessary to point out why it was necessary for the manufacturer himself to market his goods, instead of, as previously, depending wholly upon the merchant.

By thus marking and advertising his products, the manufacturer broke through the barrier between himself and the consumers of his goods. This was the death-knell to previous trading methods that had always minimized the consumer and maximized the trader. From the date of this revolution, which began to grow into a recognized and irresistible trade tendency about 1890, there has been an enormous development, until at the present time the consumer has come to be the unit of sale, and middlemen, wholesalers or retailers, to be primarily factors of distribution, rather than of selling.

Although both, in some degree, are actual factors of sale, the retailer is predominant in this respect. Also, for some lines, wholesaler and retailer jointly represent the entire function of sale. There are certain goods that

never have been identified for the benefit of the consumer and maker, or only in a very limited way. It is safe to say that ultimately all goods that can be so identified will be almost universally branded and sold by appeal to the consumer. But there will presumably ever remain a considerable part of the total production of manufactured goods that will be left unbranded. This will include the aggregate output of those concerns without sufficient enterprise or means for undertaking the more ambitious policy of building a good-will for themselves; those who continue to be mere producers, as in the old days, and to shift the whole burden of sale upon the trader. Such manufacturers will have to content themselves with the crumbs that fall from the more efficiently served table of their advertised competitors. There probably also will remain a class of parasitic imitators of popular advertised goods for whose products there will, no doubt, continue to be a precarious sale to ignorant and thoughtless people.

It is, therefore, safe to assume that there will continue to be a considerable volume of trade conducted upon the old-fashioned policy, which will necessarily remain under the control of the wholesaler and retailer. It is also a safe assumption that such trade will be of diminishing volume, and will be handled upon a diminishing ratio of profit. This for the reason that the purchase of unidentified lines will become ever more speculative and hazardous, owing to the growing tendency of the public to prefer identified, standardized, and guaranteed goods. The increasing number and variety of such lines will tend more and more to monopolize the market.

As demand for advertised goods flows with an ever stronger current, unadvertised merchandise will move more and more slowly along the edges of the stream of supply, or float about in its back-waters until hoped-for profit is greatly reduced or wholly swallowed up in interest on investment, and depreciation.

Thus wholesaler and retailer will come to realize, more and more, that quick and steady turnover at fair profit is preferable to big margins, subject to long waiting, and sale only occasionally realized. I have dealt with this subject elsewhere and only mention it here in an effort to direct the attention of both wholesaler and retailer to an actual and increasing condition that must be recognized and conformed to if the present machinery of distribution is to survive the pressure to which it will ultimately be subjected.

I wish also to point out that this increase of pressure is not coming principally from manufacturers. They will, no doubt, increasingly identify and advertise their goods, and will, therefore, not rely upon the trader to sell them, so much as to place them convenient for purchase, and to deliver them to the consumer. But the greatest menace to the distributing trade—wholesale and retail—is the steady encroachment of the big stores with their mail-order departments, co-operative trading societies, and chain-stores. All of these enterprises are distinct efforts to eliminate the entire organized machinery of wholesale and retail trading.

If organized and established channels of retail trade are to be kept open, and goods allowed to flow freely through them: if the public is to be allowed a continued free choice of merchandise, free exchange of goods must be continued, and an efficient wholesale and retail system of trade must be maintained. In face of the encroachments of department stores, of mail-order selling, of co-operative and other centralized enterprises on the one hand, and on the other the continued development of the multiple or chain-shop, which is also centralized in its administration, the old system of wholesale and retail distribution can only be preserved by the power of manufacturers who identify and advertise their products. These open lines of branded goods will continue to flow through existing trade channels, so long as the demand



for them continues, because, owing to this demand, they possess an inherent selling power superior to any capitalistic effort to monopolize trade.

Monopoly of output to control price has been tried, and has failed. It failed because it was contrary to the natural laws of trade. Control of price by monopoly of sale is the present menace, and is more economically sound. It might easily succeed but for branded and advertised goods that are preferred by the public, and which can be bought and sold by the small trader on the same terms and at the same prices as by the menacing big stores, co-operatives, and chain-shops.

In view of this fact, it is important that all existing wholesale and retail prejudice against branded and advertised goods be eliminated. Nor is mere tolerance of branded goods sufficient. Positive and active co-operation with their manufacturers is demanded, if existing channels of public supply are to be efficiently maintained. Every manufacturer who brands and advertises his goods, and who maintains fair and uniform sale and re-sale prices to the trade, ensuring a fair profit upon the trader's turnover, is daily performing a great and increasingly necessary service to wholesalers and to retailers.

### *The Wholesaler.*

The wholesaler is less of a necessity to most manufacturers than is the retailer. The function of wholesaling can be more easily taken over by the manufacturer because it involves the smaller organization and investment. As a result many large manufacturers eliminate the wholesaler entirely, or only allow him a margin of profit so meagre as to make it worth his while only to execute orders that come to him automatically. No incentive is offered him to sell the goods, because all the function of selling to the retailer is assumed by the manufacturer through his own force of retail travellers, or by the suction of demand upon the retailer as the result of

advertising to the public, or by a combination of these two factors of salesmanship. Some manufacturers go so far as to offer no discount whatever to the wholesaler, compelling him to buy on the same terms as the retailer. Others offer a discount upon quantity, that permits a wholesaler to buy at a price that allows him to re-sell in small lots at a small profit.

Of course these conditions are hard on the wholesaler and have bred in him an antagonism to branded goods, and resulted in conflict between him and the manufacturers of such lines. This is unfortunate. But the blame is not all on one side. Some manufacturers have been arbitrary and domineering, and it is only natural that the wholesaler should retaliate, and strive to sell other goods in preference to those upon which it is impossible for him to make a legitimate profit. But it is certainly unwise and unbusinesslike for him to taboo all branded lines because some of them are unprofitable to handle, or to denounce all manufacturers of branded goods because some of them are ruthless.

The wholesale trade made its initial mistake when it refused to adapt itself to the new selling conditions imposed by the necessity for branding and advertising goods; when it failed to modify its mechanism to suit the new conditions.

In thus refusing to specialize on the branded goods, and opposing their sale, manufacturers were compelled to organize their own personal selling machinery. This involved a duplication of machines, and also an increase in selling expense. Naturally this compelled the reduction of discount to the wholesaler, to compensate for the manufacturer's added expense of sale. If the wholesaler had intelligently co-operated with manufacturers of branded and advertised lines in placing their goods with the retailer, and had educated the retailer to the advantages of stocking such goods for which a certain and steady demand and a fair and fixed profit was assured, as against

unknown and unstandardized goods for which no assured demand or certain profit existed, he would have retained in his hands all the wholesale machinery of selling, and also a certain and satisfactory profit.

Jealousy originally prompted the obstructive methods of the wholesaler. He resented the entrance of the manufacturer into his long-occupied domain of selling. He failed to realize the formidable force that he was opposing. Neither did he foresee the great future menace of co-operative trading, the huge and elaborately financed department store with its extensive mail-order auxiliaries, nor the modern policy of direct retail selling through the multiple shop. Had the wholesaler fully realized all these changes in trading methods that have sprung into formidable being within a single generation, all of which are attempts to reduce the high selling costs resulting from inefficient and obstructive trade methods, he would perhaps in the beginning have cast in his lot with the manufacturer of branded and advertised goods. It is unfortunate that he did not do so, because the duplicating of selling machinery has tended further to increase cost of selling all around.

That he did not do so has undoubtedly resulted to his disadvantage. The pressing question now is, will he continue his mistake, or will he by more efficient selling methods get in line with the present, and organize his forces to participate in, and to assist, the forward movement towards the reduction of selling costs? If the latter, his remaining opposition to branded goods, however slight, must be turned into enthusiastic co-operative selling effort; to narrowing down his stocks to include only saleable goods, and instead of concentrating his selling power upon a heterogeneous mass of goods of uncertain value, bought to show huge possible, but not often realized, profits; to using his organization to deliver to the retailer popular branded goods of standardized value that assure a fair profit to himself and to the

retailer, and, by reason of efficient advertising to the public, are ensured a certain and rapid sale. Let him utilize his capital in building up efficient selling organization instead of, as now, in carrying huge stocks of slow-moving and uncertain merchandise without adequate selling policy behind them. In arriving at annual net income it is not any more the margin of profit than it is the rapidity of turn-over that must be considered.

The wholesaler thus re-organized to meet the needs of the modern manufacturer will, I am sure, find no difficulty in securing adequate terms of sale upon which to conduct a highly profitable business. What will be increasingly required from him is efficient selling organization—not huge stocks of goods. Capital thus released can find ready and profitable investment in manufacturing enterprise conducted upon sound modern principles, and employing American labour, which is the vital consideration in national development.

American wholesale machinery will respond to the needs of American trade just in proportion as it is adapted to meet the present and future needs of the American manufacturer. What is demanded is an efficient distributive selling service, not a speculative bull-and-bear pressure of capital upon the industries of the nation.

The opportunities open to the American wholesale merchant in the immediate future are without limit. There is no question as to his ability to produce—he long ago has proved that—but he must devote all his keenness and energy to the problem of distribution. If he produces, and does not sell his product he is lost.

### *The Retailer.*

As regards its relation to branded and advertised goods, the history of retailing is much the same as that of wholesaling. Like the wholesaler, the retailer resented the intrusion of the manufacturer into the realm of selling

and opposed the free circulation of branded goods. He objected to having his customers dictate to him as to what goods he should sell. This was a narrow and mistaken view. It was founded upon egotism and inertia. Still, one can in some measure sympathize with the storekeeper who, having always been considered an expert in his business, was pulled from his pedestal by the public, through the machinations of manufacturers bold enough to explain the superior qualities of their products, and to encourage the public to insist upon getting what it asked for.

In those "good old days" when each storekeeper specialized in a few lines, and personally served his customers; before the time when production exceeded demand, when manufacturers kept steadily to a definite formula or quality of unbranded goods, it is presumable that the local merchant was in a better position to judge of values than were his customers. But those times are long since past. To-day the multiplicity of goods carried in stock, even in the small store, compels the admission that a tradesman cannot be expected to be a safe and unbiased judge of the relative merits of competitive products. To be plain, he never was an expert in values. He might, in the old days, when there was little choice on the part of his customers, have come to know their opinions, and, of course, have his own opinion, based upon narrow and insufficient experience, but he never was a qualified expert. The man best qualified to give an expert opinion of the inherent and relative quality of merchandise is the maker of it. Particularly is this true of goods made in large quantities, and in the production and sale of which large capital is employed. All the resources of the laboratory are employed in fixing the value of such a product, and in ascertaining its relation to competitive goods. Capital is not inclined to risk itself by relying upon rule-of-thumb opinion such as satisfies the storekeeper. That is one reason why it became necessary for the manu-

facturer himself to advertise his goods to the consumer, whose good opinion was necessary to his success. The other reason was, as previously stated, that no one else could afford to go to this trouble and expense, because only the owner of the trade-mark could participate in the increasing good-will that results from advertising.

The appeal from his judgment was just what the storekeeper resented. His resentment was expressed in obstructive methods. He resolved that he would defeat the new-fangled method of selling goods, and so fell an easy prey to the substitution blandishments of the wholesaler, and those piratic manufacturers who beguiled him into having goods, similar in appearance to those advertised, put up under his own label to be offered to the public as "just as good."

Of course, the retailer's honest opinion is more valuable than that of an entire novice, and it is not to be denied that he can, if he chooses, divert considerable trade from the lines inquired for, but this only results in increasing selling cost all round. Obstructive tactics are purely negative. They cannot develop sales or reduce cost; they can be of no real advantage to the storekeeper and are a positive disadvantage to the public. The extra investment in stock necessary to divert sales from advertised goods, which must also be stocked to supply those who insist upon their demands, and the attending loss of time in diverting sales, together with the interest and depreciation upon the slow-moving substitute goods, more than eats up all the extra profit carried by the substitute article.

Added to this is the danger of giving offence to a good customer by combating his, or more probably her, opinion. The retailer must remember that the public has now learned to rely upon its own opinion and is instantly suspicious of any attempt to oppose it. By any determined effort to persuade a customer from his original intention, a retailer lays himself open to serious

suspicion that he is only seeking his own advantage. Such effort is justifiable and good business only in so far as it results to the advantage of the customer. Even though the merchant succeeds in selling the substitute article that gives him the larger profit, he must remember that the most important factor in building up and maintaining a substantial retail business is the satisfaction of his customers. The customer persuaded against his own opinion has his mind clouded with suspicion, and even though the goods sold him are equal in value to those inquired for, they will be subject to unjust criticism, and therefore, in all probability, will prove unsatisfactory.

The opinion of storekeepers who in these days personally serve all their customers is not likely to carry very much weight, as they are necessarily small dealers, and, therefore, of limited experience. It is obviously impossible for the proprietor of an important shop to deal personally with his customers, and the public may not be expected to attach much importance to the opinion of the salesman. Therefore it is becoming increasingly dangerous to attempt the substitute sale. Advertised goods in active demand will presumably be satisfactory to the customer who asks for them, and satisfied customers are the most important assets of any business.

The retailer's close touch with the consumer resulted in his finding out, sooner than did the wholesaler, that advertised goods must be kept in stock to meet the insistent demand of determined customers. But it took even the retailer some time to discover that such goods could be shown in the shop with advantage. As a result of this discovery popular advertised goods were gradually brought out of hiding from under the counter and the store-room, and put on display.

In due time the storekeeper came to realize that people on the look-out for these goods were continually passing his shop, and that display of popular goods in his window

brought in new customers for them; also that frequent additional sales were possible to customers so attracted. Such casual customers often came to be regular customers. By this means permanent general trade is developed.

The drug, grocery, hardware, candy, and tobacco trades were first to give way to the new selling method because these lines, for reasons stated elsewhere, were the first to be marketed in an extensive way by advertising. To-day the retailers of these lines continue to grumble about branded and fixed profit goods, but in practice offer little opposition. The more enterprising and successful of them are quite ready to co-operate with the manufacturer in really pushing popular advertised lines.

In England, but not in this country, dry goods merchants are farthest behind in the advertising procession. There they still adhere to the outgrown policy of preference for goods of unknown origin and mysterious prices. The buying side of this business remains superior to the selling side. Many dry goods merchants still prefer to speculate in job lots of goods of uncertain value, bought low and containing great profit possibilities, rather than to distribute well-known and standardized goods bought at a fair price showing certain, legitimate profit. They still persist in believing that their good-will consists in mystifying the public; in pretending to be the arbiters of exclusive fashion, and assuming to possess unequalled sagacity in discovering hidden sources of superior goods at unheard-of cheapness.

The most successful dry goods merchant, just as the most successful tradesman in any line, is he who supplies the best range of goods that best satisfies the public—price and quality considered—and which turns over with greatest rapidity at a fair profit. The more progressive in England are already eagerly stocking branded and advertised lines, which are rapidly increasing in number. Goods efficiently advertised are being brought more and more to the front.



There are abundant reasons why retailers of every line should co-operate with the manufacturers of advertised branded goods that are open to the whole trade on fair terms. Perhaps the most conservative tradesman, and the one least affected by advertising, is the jeweller. The proprietor of a first-class shop recently declared that he much preferred to sell a "Waltham" watch to a customer even though his profit were less than on another perhaps equally good watch in stock; that, even though the customer did not ask to see a "Waltham," the moment that it was shown him all questions of accuracy and quality were eliminated from the sale. The only question that remained was that of price. If within the purchase power of the customer, the sale was instantly completed, and a thoroughly satisfied customer left the shop. This is the result of Waltham quality—plus advertising.

The importance of quick sales, quick turn-over, and satisfied customers is not yet sufficiently understood by many retailers; when it is, manufacturers of sound, branded, and advertised goods will receive their full co-operation.

The advertising value to the dealer, particularly the retailer, of identified and advertised goods is instinctively recognized by the trade, but only a comparatively few of the more enterprising efficiently utilize this great power by intelligently co-operating with the manufacturers of popular lines.

To begin with, the time has now arrived when only those shops that supply such popularly demanded goods are looked upon by the public as being enterprising and up-to-date. Therefore, in the estimation of the public, the association with popular goods puts a shop in a superior class. Anything that can be done to advertise such association is a distinct custom-creating asset.

All efficient advertising manufacturers are generous in their supply of retail store advertising assistance. But

until more intelligent and enterprising use of such advertising material is shown by the retailer, and more satisfactory assurance is given that expensively produced samples, circulars, catalogues, price tickets, show cards, etc., will be efficiently used, their generosity in this direction is necessarily chilled.

Advertising in the local papers, and upon local billboards, would also be encouraged if local dealers showed whole-hearted co-operation in pushing the goods in the shops, and so taking full advantage of such enterprise.

Every word said in this book in favour of advertising as a sales force, which if efficiently applied will reduce selling cost and at the same time develop an increased good-will, applies equally to the retailer as to the manufacturer. The retailer who has a well-located shop or store, and carries a well-selected stock, by the very same means applied locally can accomplish the very same results. He can lift his business out of a mere price competition if he attaches to it a definite and valuable service, and by judicious and efficient advertising creates a favourable local public opinion with respect to his integrity and enterprise, and a reputation for guaranteeing the satisfaction of his customers. Identified and advertised goods are invaluable in accomplishing this result, because by their mere presence in the shop the public is assured of enterprise. They also permit of a much neater and more attractive display of goods. And last, but not least, they relieve the tradesman of all responsibility in guaranteeing the satisfaction of the customer, as the manufacturers of such goods assume that responsibility.

Any efficient advertiser of identified goods will respond generously in assisting his enterprising dealers with advice, electros, etc., in helping to make local advertising efficient and successful. In any such enterprise the local papers should be carefully considered. Local publishers will be keen to help to develop any shop into an outstanding centre of trade, if courageously undertaken by

one who gives evidence of the necessary ability and enterprise.

So far in the discussion of the retailer I have had in mind the average independent storekeeper. Although his individual business is small, yet the aggregate is enormous, compared with which the combined turn-over of the big stores in the big towns is insignificant. On the other hand, these big department stores are individually of great and increasing importance. They were at one time looked upon as affording the ultimate solution of the retail trade problem and threatened the elimination of the small trader. They sprang up in all large centres of population and flourished at the expense of the overshadowed storekeeper. Theoretically there seemed no chance for the continued existence of the little man. It did not seem possible that any David would arise to stay the onrush of this new Goliath, equipped with all the capital required to finance an undertaking that promised profit, and organized on so large a scale that experts could be employed in every department. Not only the obscure retailer trembled, but the wholesaler also looked upon the Colossus with blank despair. The manufacturer in turn shivered and bent his knee in supplication. The whole world of production and commerce, as it relates to articles of personal or family use, was staggered by the threatened reversal of all the time-honoured processes of trade.

All this commotion was the result of the buying and selling policy behind these huge enterprises. With practically unlimited capital at command, and with enormous outlet guaranteed by an aggressive advertising policy, stock could be purchased in large quantities. This permitted their buyers to seek out sources of supply, and to secure the wholesalers' profits for themselves. In most instances large orders were placed directly with manufacturers. Frequently the entire production capacity of a mill or factory was commandeered at a mere

percentage of profit over manufacturing cost. The big store, in effect, became the manufacturer of such particular lines of goods, frequently advertised and sold under its private brand. In every direction big orders and ready cash beat down prices to a point that the small dealer could not hope to reach.

Selling was revolutionized no less than buying. The big store was in reality a combination of small stores, each equipped with every artifice of display and sale of goods, and staffed with capable and trained assistants. The whole establishment was arranged and embellished to be commodious and attractive. It presented an endless variety of goods all easily accessible to the public, and relieved the shopper of the necessity of going from shop to shop, a distinct saving of time and discomfort.

But all the interior attraction of prices, goods, and previously unknown accommodation would not have been sufficient to ensure success. It was necessary to attract customers inside. To this end the show windows were dressed attractively, and made as nearly irresistible as possible for the passer-by. Advertising by circulars, catalogues, and in the papers was extensively used to carry the news of goods, prices, etc., to the entire community, and to invite visit and inspection. Every possible means was utilized to induce the public to come inside, and when within the influence of the store salesmen every possible means was taken to create a feeling of confidence. A liberal policy of guaranteeing satisfaction, and the return of unsatisfactory goods, was introduced.

When it is understood how great was the advantage of this method over the tradesman of small resources, and how seriously it affected the wholesaler, one does not wonder at their agitation concerning it. All the advantages of these big stores were legitimate and of actual public service. Any reduction in the cost of producing or selling goods is a public benefit, therefore the big store flourished, and still flourishes.

If the wholesaler is unnecessary he should be eliminated. If the storekeeper is an inefficient means for delivery of goods to the public, the sooner he retires from the commercial stage the better is it for the public.

But things do not always work out in practice as they should be expected to from a purely theoretical point of view. The Big Store is a success. It is a public utility. It will remain a permanent factor in trade. But it is not the whole thing. It will not go on multiplying itself to the point of exterminating the storekeeper, nor the wholesaler. One reason for this is the multiplication of manufacturers who identify their products and induce the consuming public to buy them. Such a policy successfully carried out, requires that such goods can be bought anywhere and everywhere, of the same quality and at the same price. The big store cannot supply these goods of any better quality or at any lower price than can the small storekeeper. These lines are becoming so numerous as to include nearly everything that the public requires, thus enabling the little dealer practically to stock his shop with popular goods that he can sell at the same price as the big store. While the big store is a great convenience in shopping expeditions that include a variety of goods, the neighbourhood shop is none the less convenient for day by day supplies.

Another reason why the big stores cannot be multiplied to the point of total control of the public supply is that whereas they possessed sufficient advantage to over-ride the old conditions of trade, they cannot over-ride the advantages of each other. In other words, when big stores over-compete with each other, their selling costs go up to a point that the little dealer can meet them in price competition. These conditions exist in America, where the big store idea flourishes to a far greater extent than anywhere else. In some cities these enormous undertakings have multiplied to such an extent, and competition between them has grown so keen, that expense of main-

tenance has gone up to a figure that enables the enterprising small store to more than hold its own against them, and small stores of good class, and conducted upon modern methods, are on the increase.

Big stores, therefore, although possessing a distinct and great value to the public, will never result in the extermination of the small shop, for two principal reasons: the spread of identified and advertised goods which they can neither control nor sell at a less price than can the small shop; and their inherent tendency to increase their own selling costs through competition with each other.

It is worthy of note that even these huge concerns, equipped with all the machinery for the advertising of their own wares and trading advantages, are hospitable toward branded and advertised goods. Their enterprise, efficiency and success may be accurately judged by their efforts to please and satisfy their customers, and they understand that to please a customer it is necessary to supply what their customer asks for. They, no more than the small storekeeper or the wholesaler, can succeed by going contrary to human nature, but only by following the line of least resistance.

Selling by post, or mail-order trading, is another phase of retailing that has come into great prominence. It reacts unfavourably upon both wholesale and retail trade, because, like the big store, it is an effort to bring the source of supply into direct touch with the consumer.

This method of selling, like the big store idea, has found its fullest expression in America, where huge organizations have been built up devoted solely to sale by catalogues which are sent to all parts of the country. Some of these have an annual turn-over running into millions. They manufacture, as well as buy and sell, and many huge mills and factories are devoted exclusively to the production of goods sold by them. Their operations extend over the entire United States and Canada.

In England mail-order or catalogue trading is practically confined to the specialized departments of the big stores, many of which do a very large business of this nature extending over the entire country; also to a few comparatively small trading organizations devoted exclusively to this means of sale, and to certain manufacturers of specialities who sell exclusively or partially by this means.

The method employed is essentially the same in all such undertakings. Catalogues, circulars, etc., illustrating and describing the goods, together with prices, and, if possible, samples of the goods, are posted direct to the addresses of potential consumers. These addresses are usually secured by newspaper advertising, or by purchase or exchange from other non-competitive mail-order advertisers. In many cases elaborate follow-up letters and special offers are employed to develop further sales than can be expected to flow from the initial offer.

We here have to consider the subject only from the angle of its effect upon existing distributive machinery. Whatever the volume of sale resulting from the combined mail-order efforts as now employed, such amount of trade is wholly taken away from retailers. Very little of this business passes through the hands of wholesalers. Every mail-order trader endeavours to buy at the source of supply, or to produce the goods himself. Therefore wholesalers and retailers are vitally interested in the reasons for the success of these efforts, and should study ways and means for preventing a further drift in this direction.

The object of mail-order trading, as in fact of all centralized retail selling effort, is to reduce selling cost, and so to gain a price or profit advantage over goods sold in the usual way. In all these undertakings it is the middleman who is sacrificed. He is considered, and often actually stated, to be an unnecessary and expensive factor of sale. To avoid further extension of this idea, it is

necessary for wholesalers and retailers to discontinue their obstructive attitude toward identified and advertised goods, and thus assist in bringing down selling costs to a point that offers no inducement to attempt methods of sale by other means. Only by increasing the efficiency of sale by wholesale and retail methods can those interested hope to regain lost ground. Except for the protection of manufacturers who advertise, small retail-shop selling would steadily decline in profit and importance.

Another important source of disquiet for both wholesaler and storekeeper is the steady development of multiple shops or chain-stores. This is another manifestation of the same instinct that led to the big centralized store, but instead of merging all selling effort in one glorified establishment, small units of distribution and retail sale are scattered over a district. The district may include one town or many, or be national in scope, the policy is the same in all.

The fundamental principle of the multiple store is to secure goods at the point of production, and to sell them direct to the consumer, thus controlling production, monopolizing sale, and eliminating all middlemen. This is exactly the same idea which brought the big store into existence. It is a fundamentally sound principle, as evidenced by the success it has attained, and is calculated to benefit the public by its economies.

The multiple-store proprietor frequently specializes in certain products which he either manufactures, or has made to his order in such large quantities as to preclude the intrusion of any middleman between himself and his source of supply. Other types of this form of trading include a wider range of goods, and the most advanced and efficient do not oppose advertised goods. The prime factor of method is to eliminate the middleman.

The chain-store plan will no doubt develop until, like the big store, it begins seriously to feel the competition



of other similar undertakings which will force up its selling cost, and so bring down such present existing advantages as it may possess over the independent storekeeper.

Administrative charges per store are relatively high as compared with the local storekeeper, principally owing to the difficulty in securing efficient store management except at high rate of wages. It is well known that a man of ability and enterprise will always be more content with any income derived from his own business than with the same income in the form of wages. Therefore the store manager, upon whom so largely falls the responsibility of the success of a branch store, must be paid more than he could earn by conducting a business of the same nature for himself. In this respect the chain-store proprietor is always subject to super-efficient store-owned competition. Also the necessity for systematic and uniform multiple-store management gives the store manager less scope for employing any genius for salesmanship that he may possess, than has his rival store proprietor across the road. There is always a danger from remote, centralized authority and management in such parochial undertakings. The man on the spot knows his community best.

In small, local enterprises of this sort, the customer is likely to be less diplomatically managed by the manager of a branch than by a proprietor, because the hired servant has no permanent financial interest in the development of the good-will of the business he represents. It is only human nature asserting itself, if he fails to make such a business a vital element in the neighbourhood by bringing less than his full ability to bear upon it.

This lack of neighbourhood good-will is perhaps more than overcome by superior location, shop-front and interior fittings, and by the efficiency of advertising put into the chain-shop enterprises; but in the case of the storeowner good-will is the result of personality, which

costs the business nothing, and in the chain-store it has to be paid for in hard cash, and so reduces the margin of price advantage obtained by superior methods of buying.

Another advantage the owner-storekeeper has is his liberty freely to buy and sell identified and advertised lines of goods that are in active demand. He benefits without expense from the advertising expenditure of the manufacturers of such goods. New customers, coming in for a displayed advertised article, also often buy other goods at the same time, as a mere matter of convenience. By this means his ring of customers is increased in proportion to his ability to satisfy them. The chain-store selling only a few lines, compels its customers to go elsewhere for everything else. This narrow store appeal, and the lack of personality in management, tends to retard development of good-will, and compels almost complete reliance upon price advantage, unless efficient and sufficient advertising is employed to offset the popular advantage of competitive advertised goods in rival stores. Advertising is thus an investment necessarily imposed upon the chain-store selling its own lines, but taken over by manufacturers of advertised goods sold in independent stores.

Therefore, with all of its capital and other purchasing advantages, the chain-store is not likely to usurp entirely the functions of the storeowner who intelligently looks after his own interests, and who by reasonable efficiency in buying and selling can develop a continually increasing good-will, or selling momentum, that results in a constant reduction in his selling cost, to compensate him for the superior purchasing power of the chain-store.

In Great Britain there has been developed a system of trading known as the Co-operative Societies. It has been undertaken in most commercially well-organized countries, but there it has reached its highest efficiency and largest result. Its importance as a trade movement justifies a detailed description.

The history of British Co-operative Societies reads like a romance. It began in 1844, when a few working men of Rochdale clubbed together, with a combined capital of \$140, and opened a shop to sell flour, butter, sugar, and oatmeal. The sales in the Rochdale district alone have gone on increasing until the annual turn-over amounts to approximately \$70,000,000. There are now some 9,000,000 people securing their daily supplies from British Co-operative Societies, and the total annual turn-over of the 1600 societies is between 750 and 775 million dollars. From its foundation the movement has gathered force, until now its activities embrace a very large list of goods that usually pass through the hands of wholesaler and retailer. Nor are its activities confined to buying and selling. The Wholesale Co-operative Society, which is the source of supply of practically the whole range of goods carried in stock by the co-operative retail trader, now operates its own steamship lines for the economical carriage of manufactured goods, and of raw materials entering into the production of much of its stock. For it must be remembered that many important mills and factories are either wholly owned or controlled by it.

The enormous membership of these societies, which includes a large proportion of the workmen employed in all the important manufacturing centres, and in some districts nearly all of them, gives a huge and steady volume of sale, and permits of immense purchase and production of goods. This plan, under honest and efficient management, ensures competitive prices to attract new members and to hold fast to the old.

The co-operative society is conducted upon purely commercial lines, but it is in theory a social manifestation. As conducted in Great Britain, no doubt it is the biggest and most successful commercial co-operative movement so far accomplished, and has attracted world-wide attention from social economist and reformer. Viewed solely

from a commercial aspect, it is a huge success, and a sharp thorn in the flesh of manufacturer, wholesaler, and retailer.

As producer of much of the merchandise passing through the hands of its retail organization, and tending more and more to limit its supplies to its own productions, it prevents the outside manufacturer, in many lines, from placing his goods on sale to the vast membership of the societies. Buying all supplies, other than its own productions, in huge quantities, it entirely eliminates the wholesaler. The independent storekeeper has small opportunity in districts where the society's membership is considerable, indeed in some localities he is practically shut out from all participation in the retail business of the community.

Co-operative trading is thus seen to interfere to a great extent with competitive trading. The net economic gain to the community is difficult to determine, but in theory it must be considerable. This plan, if carried out efficiently, should succeed in delivering goods to the public at the least cost, which is a great social desideratum. Admitting this to be a fact, why does not the whole public rush into the membership of these societies, and participate in their benefits? Human nature is notoriously desirous of getting the best bargain possible on all occasions. Why, then, does not the whole world immediately move in favour of co-operative trading, and eliminate competitive methods of production and selling? Does not the answer lie in that other fundamental of human nature, the ever-pressing desire to express oneself in individual opinion and free choice?

Communities that respond best to commercial co-operative and socialistic undertakings are those that insist least upon individual choice; that are willing to forego the expression of individual opinion, in favour of extra economic advantage. But these are far from being the majority in any intellectual community as a whole.

Most people will rather pay little or much more, if necessary, for the thing they really desire, according to their ability to follow their inclination, than accept at less price what some one else insists they shall have.

Co-operative trading societies feel this steady, selective pressure even in communities where they are most flourishing, and have to yield to it. They are everywhere forced to carry advertised goods in competition with those of their own manufacture, lines that they are compelled to buy at prices dictated by their producers. I know of many such lines to be found in the majority of co-operative shops. I also know of one important advertised line which the Wholesale Co-operative Society, on several occasions, has made well-organized and determined effort to throw out of its retail shops in order to push forward a competitive line of its own make. But such effort has been useless. Official orders to clear shelves, and instructions to shop managers to refuse to sell, have repeatedly been given, but the pressure of demand from members is too strong for the management, and very soon these goods are again selling freely.

Here we find identified and advertised goods to be superior to socialistic effort to control sale by monopoly, an effort which might, but for this superior force, sweep everything away in a deluge of monotony.

Regarding the social and ethical aspects of the question, there seems to be no doubt but that human nature requires the stimulus of competition to ensure individual and social progress. It is equally true that the exercise of individual will, and the development of a responsibility of choice, such as results from free exercise of selection of purchase or exchange, is of primary importance in the evolution of human character, or personality, which is the purpose of life.

Is it not because sale by advertising is thus based wholly upon the natural law of human volition, and its efficiency depends upon a stimulation of those many

capacities and qualities of human nature that distinguish humanity from the automatism of lower orders, that it has the necessary power to over-ride all attempts to control trade by imposing artificial restrictions upon production and sale?

All attempts to short-circuit the flow of merchandise between producer and consumer by imposing artificial restraint of the public's free exercise of choice, as usually practised by big stores, multiple stores and co-operative trading, are but efforts to gain an economic advantage by the elimination of the wholesaler and retailer. Unless these various methods of sale have this advantage they have no economic superiority.

If retailers will whole-heartedly co-operate with manufacturers by permitting advertised goods to flow freely through the regular channels of trade, centralized efforts at monopoly will cease to be a menace, and become a healthy and desirable stimulus to increased efficiency and economy in selling.

Inefficient commercial methods and futile opposition to identified and advertised goods by wholesale and retail traders have bred all these schemes for eliminating middlemen, and they have only themselves to blame for thus creating an aggregate competition that results in diverting an enormous total of trade from their organized channels of distribution.

By intelligent co-operation with manufacturers, who by efficient advertising succeed in keeping these channels open, selling costs can be so materially reduced that all these exotic methods of sale will be deprived of their existing actual and supposed economic advantages. The tide of trade development, by the play of the purely natural law of the survival of the fittest, would then unflinching flow freely along the existing, organized channels of supply, and steady, uninterrupted movement from maker to user would be accomplished at the least possible expense.

The selling power and economy of efficient advertising is being daily demonstrated, in spite of trade hostility and opposition. What enormous increase in its power to lower selling costs would be possible if wholly unopposed by the trade! If wholesaler and retailer were to co-operate whole-heartedly with manufacturers of branded and advertised goods, the resulting economic advantage, by reason of superior efficiency and economy, would reduce to a minimum all menace of monopoly of restrictive centralized trading.

Is it too much to expect wholesalers and retailers to grasp the significance of the danger and also of the opportunity here presented? On the one hand, the continued indifference and downright opposition to branded and advertised goods, and the growing menace of those methods of sale that, in an effort to escape from abnormally high selling costs, seek the extinction of wholesale and small retail traders: on the other hand, an enormously increased volume of business which would, by the very Law of Nature, flow swiftly and profitably through these existing trade channels of distribution, if the sale of efficiently advertised goods were unopposed, or better still, if their sale were enthusiastically encouraged by the intelligent co-operation of wholesale and retail traders.

## CHAPTER V

### HOW TO WIN THE MIDDLEMAN

**TAKING** it for granted that the maker of any product by some means must induce the consumer, the user of that article, to buy it, the most important question that the manufacturer can ask himself is, "How can I secure and retain his good-will at the least cost?" This is the modern expression of the old phrase, "How can I profitably expand my business?"

Even as a temporary expedient it has been abundantly proved that cutting prices to the middleman, by extra discounts or other means, is a hazardous policy under all circumstances. It is possibly justified on the occasion of some special drive, when some special co-operation from the wholesaler or retailer is required to accomplish some special or strategic purpose. But this policy, if allowed to develop into a frequently or regularly recurring discount period, is certain to result in an interference with the regular run of business, and the breaking of prices. Some manufacturers have an annual or semi-annual special discount or bonus period. This may sometimes serve a useful purpose with respect to an article of fashionable or seasonable character, but unless used with discretion, it leads to a permanent lowering of the trade price, and ultimately to price-cutting to the public.

Special allowances to retailers for window or counter display of goods is justifiable, and may be made a valuable sales aid if carried out honestly, but when indulged frequently and perniciously, and particularly if stipulated conditions are not rigidly enforced, it is an



weakness of which the storekeeper will be quick to take advantage.

The allotment of exclusive sale privileges to either wholesaler or retailer is a morass into which the trade-hungry manufacturer often falls.<sup>1</sup> It is always to be remembered that no one except the owner of a trade-mark can reasonably be expected to have any permanent interest in increasing its good-will value or even in preserving its existence.

Generally speaking, therefore, it is idle to expect a special service from an outsider, in any way commensurate with the special price or discount that he will require. At most, his interest is temporary, and presumably incidental to other interests.

Permanent success cannot be built up in this casual way nor by such temporary means. It is also well to bear this in mind in making terms with travelling salesmen. Unless their exclusive service can be secured it is more than likely that whatever is paid them will be in excess of the value of their service. Commission paid to travellers that carry other goods, though not competitive, results in a haphazard skimming of convenient points of least resistance, but cannot be considered efficient trade development, even if orders are taken at satisfactory cost.

Modern salesmanship means much more than booking orders for goods, but it does not mean the cultivation of intimate personal relations with the buyer by means of

<sup>1</sup> For important lines of considerable price, such as motor-cars, pianos, etc., and wearing apparel that requires to be marketed in a variety of styles, materials and sizes, such as shoes, hats and ready-to-wear costumes and clothing, the special or restricted local agency plan is desirable. By no other means can sufficient stock be displayed for sale to afford the necessary selection or fitting to satisfy the public. Goods of this character, if efficiently advertised to the consumer to ensure important and steady demand, offer great inducements to established local dealers to become exclusive agents for them. Such agencies may include the whole of a town or only a part of it, or for short or considerable periods, depending upon the character of the goods and the service required.

"the latest story," nor entertainment during business hours. These methods are of the bygone age, when the so-called salesman professed to represent a mysterious "house," a mere shadowy phantom unrelated to the goods offered, which were unidentified and of unknown origin. He had to wheedle his customer and haggle his prices, and accept such "favours" as might be coaxed from the uninterested but not disinterested buyer.

To-day the manufacturer's "representative" has become a salesman of identified goods that intimately represent the "house." His business it is to focus upon the buyer the power of the consumer's inquiry, which is expressed in the ready acceptance or demand for these goods. He will not allow his customer to over-stock, even if so disposed. The "latest story" of the before-the-war period from now on will become the story of the advertising of the goods. The salesman from now on will be a hustler. His business is to make *customers* for the "house," not mere *buyers*. He will have no time to devote to anything but his well-understood business of explaining the advertising campaign which is being put behind his goods; showing the buyer how his firm can benefit from it by stocking them liberally, and by giving them and their store-advertising a prominent place in window and on counter, and by himself assisting in making the most effective show of them in every store. This trade-building cannot be done by men whose sole interest lies in booking orders. If the development work, including the consumer advertising, is done properly, the orders will book themselves.

Where one person is sufficiently impressed with the advertising of an article to search for it from store to store, or to deliberately inquire for it where it is not being shown, and to insist upon it where other goods are offered when it is asked for, there are hundreds who have read the advertisements and have been impressed with the arguments or opinions "in favour of it," who will not

deliberately go out in search of it. Others not needing it at the moment, will forget about it. All these will instantly be reminded of their previous opinion and desire for it upon noticing it in the shop window or upon the counter.

Therefore it is the salesman's business to have the goods shown in the shops. Without distribution and display of the goods, advertising will succeed in time, if sufficiently and efficiently employed in forcing the public to a large enough demand to make the business profitable.

But if the salesman does his work properly, and gets the dealer's active co-operation in displaying the goods so that the public come in contact with them in whatever shop they go, the amount spent in advertising will return a hundredfold more sales than if his work is improperly done.

All the essential future trade-developing value of a salesman is lost if he is made dependent upon day-by-day bookings. If a commission is to be paid, let it be upon the turn-over from a specified territory.

Buyers are less and less disposed to stock up in quantity even goods that have a steady sale; and orders by mail for an article in active demand from consumers are becoming more and more common. Therefore it is most desirable, particularly during the period of introduction and the subsequent development of more perfect distribution, to lay a safe and sound foundation. To ensure this, sales plans must be so shaped as to ensure a careful canvass of the trade by men whose interests lie in educating the middleman, and in penetrating into every selling point in a given territory, rather than in "skimming" for orders.

To sum up. To market goods under a reduced selling cost plan, the essentials of sound modern business methods must be recognized and intelligently employed. Such plans must be based upon efficient advertising to the

consumer to interest him in the goods; to induce his initial purchase, and by the same means to continue to stimulate his interest and purchase, and to create an atmosphere of individuality for the goods so offered. He must be educated to think of "A's Biscuit" instead of biscuit; of "X Bread" instead of bread; of "B's Shoes" instead of shoes; of "Y Matches" instead of matches.

To accomplish this highly desirable condition, to establish a particular name, to stand first in the good opinion of the public, advertising must be more than hit-or-miss in both character and periodicity. There must be a distinct and considered scheme of style and appeal in advertisements, and of continuation of issue.

If a long-established concern is entering the lists as an efficient advertiser its honourable career should be exploited. People do not buy goods merely because they are made by a well-established house, but that fact helps in creating a favourable opinion to assist in inducing the initial purchase.

The advertised name under which goods are sold should be short, easy to pronounce and to remember. The style or get-up of article, or container in which it is displayed for sale, should be distinctive and in good taste, to secure attention among competitive goods, and to create a favourable quality impression.

Advertisements, show cards, etc., and the goods themselves, if possible, should give strong and clear expression to definite points of value, avoiding general claims that are open to all goods. Distinct selling points should be brought forward. If no such claim is to be discovered, which is seldom the case, some point of individuality should be introduced in the goods, or in the convenience, utility, or character of package or container. One definite point of dissimilarity from competitive goods may become a peg upon which to hang a whole advertising campaign, and make it possible to establish individuality

and saleability at less cost, and in less time, than is possible with undifferentiated goods.

A long look ahead is desirable and essential to really efficient salesmanship based upon advertising. The matter of price is important. In determining this, the final price at which the article is to be sold to the consumer is the first thing to settle. All middlemen's prices are merely discounts from this final or consumer price. This retail price must be determined by a study of competitive goods and prices, their quality and character of style or get-up, and relative general merit.

It is a hazardous undertaking to over-price goods to the public, and by allowing middlemen exceptionally large discounts, expect them to move the goods. This for the reason that goods cannot be successfully marketed at prices above the public's appraisal of their value. A continuously new group of consumers may develop a small demand, if over-priced goods are pushed by dealers, but no permanent business of importance can be built up except by satisfying the consumer with price and quality. Unduly high prices to the public, and big trade discounts, therefore, will only result in slow-moving or unsaleable goods, with the inevitable result that prices will be slaughtered, and both traders and consumers will lose all confidence in the line.

A fair price to the trade and fair and firmly maintained re-sale price to the consumer is the only safe policy. On the other hand, it is not necessary to bring prices into line with ordinary, unstandardized competitive goods. Efficient salesmanship that includes efficient advertising, will lift a sound line of goods, in the estimation of the public and the trade, entirely above unknown and inferior goods.

Planning ahead takes all these and other sale factors into account. Only established future policy will permit of efficient salesmanship. Success in business is based upon progressive enterprise and determination.

The importance of fair and maintained prices cannot be over-estimated. The supreme accomplishment is a steady volume of trade flowing uninterruptedly and increasingly through the established channels of distribution to a receptive public.

This can result only from the production of a desirable article, the quality and price of which is standardized upon a level to ensure steady consumption, and a fair and legitimate profit to those middlemen whose services are necessary to its successful distribution to the public. With these essential factors of success maintained, and efficient advertising to the consumer, to set up the necessary suction of demand, the whole enterprise moves smoothly and with constantly accelerated speed and profit.

Friction is a waste of power. It should be as completely eliminated from trade as is humanly possible. Expert mechanical engineers are for ever studying to eliminate friction from machinery of production, but where are the trade experts scientifically applying friction-reduction processes to the machinery of selling?

The unfortunate antagonisms that have grown up between maker and seller, to which allusion has already been made, and the complementary relation and mutual dependence that actually exists, referred to in a previous chapter, certainly need a harmonizing influence. Greater harmony between its various parts is necessary if the sales-machine is efficiently to meet the conditions now imposed on it.

Trade friction is to a great degree due to the unfair attitude of the Trade to popular, advertised lines of goods, and short-sighted efforts to prevent such goods from flowing freely to the public, by failing to co-operate with their manufacturers, or worse still, by efforts to substitute other goods for those asked for. Here we will only deal with the simple trade error of attempts to kill popular brands by price-cutting.

Price-cutting benefits no one. The public is coming better to understand this economic truth, and responds with less and less alacrity to price-cutting bait. Here I am not referring to legitimate clearance sales to dispose of accumulated odds and ends of unbranded and unsaleable stock, but to the deliberate and unfair practice of offering branded goods of known price at anything less than the manufacturer's established price.

If a manufacturer of identified and advertised goods imposes no re-sale price condition, of course the trader has a legal right to make any price he sees fit, but even in such cases, in price-cutting he is playing with a two-edged sword. In prostituting a well-established brand by attempting to secure a temporary advantage over his local competitor, he is setting in motion forces that may have important and far-reaching effects, to the certain disadvantage of the proprietor of the misused brand. As for himself, he is killing a goose that, if left alone, would have continued to lay golden eggs of profit for him. Such a step is pure stupidity, because the competitor can come back with an equal or greater cut-price, and the only thing accomplished, in the end, is the discovery of which of the valiant combatants is the bigger fool—in other words, which one is willing to surrender the more profit, or to assume the bigger loss. To be logical, such foolish price-cutting should be carried farther than a mere loss of profit, and the "best man" would be he who would accept the greater actual loss, for lost profit is as much a loss as is cash lost out of the till.

Such competitions lead nowhere and profit nobody, but they set up points of trade friction that increase selling costs. Of course the customers of the cut-price store are taxed with high prices upon unknown goods to make up the loss imposed by the spectacular slashing of the known price. The public does not benefit—you can trust the merchant for that. The store does not benefit, because, by assisting to destroy a factor of steady profit, there is

set in motion a train of circumstances that will react upon trade to its future disadvantage.

That price-cutting of identified goods does increase selling costs is an undoubted fact. In this country, where the whole fabric of advertising, price-maintenance, and all of the conditions of modern selling method have their most complete expression, this question is receiving great attention. For the past five years this whole question has been almost continuously thrashed out in the U. S. Courts. The legality of price maintenance, and the imposition of re-sale conditions upon the trade, have been reviewed in the superior courts, and legislation dealing with the question has resulted. How cut-prices increase trade friction was explained by Professor Nystrom, an economist identified with two important American Universities, and author of *The Economies of Retailing*, who recently appeared before a legislative committee at Washington. He said in substance—

“The cost of distributing goods in the past ten years has increased markedly because of the increasing amount of ‘trade friction,’ due to the growing use of nationally advertised goods as cut-price leaders.”<sup>1</sup>

Trade friction was defined by him as “the difficulties of keeping goods moving through the hands of dealers, not because of lack of quality or desirability of the goods but because of the way in which they are marketed.” He declared that the latter-day increase of advertising, and the use of other expedients—such as maintaining prices by contract, maintaining prices by notice, and maintaining prices by consignment of the goods—all aim at the same result, namely the reduction or elimination of trade friction. Were advertising allowed to perform its function without unfair interference, the cost of distribution would rapidly lessen.

<sup>1</sup> *Printers' Ink.*



Other witnesses before the Committee testified that "private brands"—that is, those put forward by the trade as substitutes for advertised brands—sell as high as well-known fixed-priced and nationally advertised products.

Certain price-maintenance contracts, imposed upon the trade by the proprietors of Sanatogen and others, have been declared illegal by the U. S. Courts, as being in restraint of trade. This resulted in the enactment of the law known as the Clayton Act, and introduced a spasm of price-cutting the result of which, as it relates to rubber heels, was explained by witnesses as follows—

"As a result of the Sanatogen decision and the passage of the Clayton Act, price-cutting had reached such proportions that everybody concerned in the rubber-heel industry has suffered from the condition brought about. The loss to the manufacturers might appear obvious, but because quality of goods has allegedly been corrupted, the general public is the loser. There is a change for the worse in the condition of the jobbers who handle rubber heels, who from being prosperous are not in as good condition, and their obligations are not as well met, as formerly."

There is no way of avoiding the truth that interference with the smooth, unrestricted passage of goods from producer to consumer sets up extensive friction, which is passed on to the public in the form of increased price or decreased quality.

The trader's profit upon identified and advertised goods must, on the one hand, be sufficient to give a fair margin over his legitimate selling cost; on the other, not sufficient to be a temptation to price-cutting, nor to increase the final selling price beyond the legitimate value of the goods to the consumer. All these points must be intelligently considered by any manufacturer who may hope to effect a permanent reduction of his selling costs.

It is a sound selling maxim, that any selling plan that will continuously take goods off a dealer's shelves will put them on his shelves. The tradesman is human and prefers to sell those things that move quickly and that enhance his reputation. But goods cannot begin to move off the shelves until they have first been put there. That explains the necessity for strong personal salesmanship at the beginning of a campaign—to accomplish rapid, close, and wide distribution of goods.

It is a mistake to assume that by placing a few advertisements before the public an irresistible demand for the goods will immediately force the trade to put them in stock. Bold and efficient advertising will accomplish this if persisted in; but during the process there will be enormous loss of sale through the delay in dealers stocking the goods, and the consequent inability of the public to find them. Efficient advertising should go hand-in-hand with efficient trade canvass, to ensure the largest possible return for investment.

Complete and efficient organized effort, confined to a limited district if necessary, is much safer and more certain of success than incomplete and inefficient effort distributed over a wide area.

Most advertised goods need the assistance of salesmen—of the best salesmen; but there are many that can manage without. In the early days of introduction, when distribution has to be accomplished, it is far better to push as well as pull, and personal salesmanship is particularly desirable. In the later periods, personal trade work can be reduced with profit, and perhaps entirely abandoned, but well-established lines can often be accelerated by periodic or occasional salesmen's campaigns.

It is important to keep all trade channels free and in perfect order. The personal element of efficient salesmanship is important, and the employment of specialized men covering large territories, and looking after the manu-

facturer's interest, particularly with the more important trade, is at all times desirable. Only by this means can a manufacturer keep in touch with competition, and retain the personal interest of the trader—two important factors of successful selling.

With the public "pulling" on the retailer for the goods, as a result of consumer advertising, it will require distinctly less "push" on the part of salesmen to secure a rapid and thorough distribution of them, and a constantly lessening effort and expense to keep them always accessible to the buying public. Indeed by no other means can sufficiently thorough and widespread distribution be effected to ensure the permanence of a large profitable business.

Salesmanship of advertised, price-protected lines differs essentially from salesmanship as applied to unadvertised lines. The modern traveller is a representative of identified and advertised goods that represent the "house," not a representative of a remote and phantom house that his customer knows only as an address to which he makes occasional remittance. If qualified he is quick to appreciate the tremendous selling force which he controls when he takes out a well-advertised sound line.

He finds the dealer more interested in the story of the advertising behind the goods than in mere discussion of the goods, or the price.

There are many opportunities offered the modern salesman to show the retailer how he can hitch his interests to the big advertising power with which the manufacturer is backing the goods. The manufacturer's advertising to the consumer is to a tradesman what free power would be to a manufacturer.

It is the salesman's business to demonstrate to the storekeeper that it is to his interest to identify his store with the advertised line, to attach the free advertising power to his business. He should also explain to him that goods in steady demand, goods that have a

maintained retail price, are not a speculation but an investment. They do not have to be written down in value at stock-taking, as do unidentified and unadvertised goods for which no certain demand exists. They have a permanent established value equivalent to a cash or bank balance.

There are so many trade aids with which he can be supplied, and it is so essentially important that his store be considered up-to-date, that it is not difficult for a salesman to secure an order if the goods he is selling are right and carry a fair profit, and the advertising behind the goods is right.

One of the economies of advertising is that it relieves the salesman from a great deal of the drudgery of ordinary selling. He does not have continually to expound the value of the goods. Nor does he have to parry and thrust with his customer on the question of price. He can at once enter into intimate relations with his customer. He should show him how to get the biggest possible part of the profit from the advertising which is being applied to the article. Thus relieved of spending his time in gaining the attention of the dealer, and bargaining and wrangling over prices and terms, etc., it is possible for the salesman to do his business with much greater despatch.

If the advertising is being efficiently done, and the salesman properly exploits it, the dealer, just the same as the consumer, has a conviction of the enhanced value of the goods as compared with competitive lines, and the whole transaction of selling to the trade is to a great extent lifted out of price competition.

Under these circumstances it is not the price that sells the goods at all, it is the established value of the goods in the mind of the storekeeper, such value being based upon his experience with his own customers in calling for the article in preference to competitive commodities.

The question of price needs to be considered with reference to only one person, and that is the consumer of the article.

The value of anything in one's mind depends upon one's mental attitude toward it. If it is an article that I have come to desire, and which, by means of sound advertising, has been invested in my mind with a superior quality, I am not so particular as to its price. Price is soon forgotten, but satisfaction of quality is long remembered.

It is a common occurrence for people to go to shops of first-class reputation, and without hesitation pay more than the price of the same thing across the street. This is an example of the value of a sound reputation for dealing in honest goods that invests a shop by reason of a long and honourable career.

Such a shop has advertised to its local community by steadily adhering to correct principles of trading, and by building for itself, by such means of advertising as it possesses, a reputation for handling only the best class of goods.

Such advertising is essentially local in character, although great enterprises have been established for dealing with the consumer by post along honourable and satisfactory lines, and have extended this local shop-reputation throughout the whole country.

The policy and method which make it possible for a shopkeeper to secure the best class of trade and the highest price are, in principle, exactly the same as those which a manufacturer is permitted to apply in the building of a trade-mark good-will to follow his products from his factory to his consumer, *wherever the consumer may chance to be*. That is, by applying efficient advertising to his goods and service to induce purchase, and to *always* satisfy his customers.

Just as the goods in the enterprising high-class reputable shop are invested with an enhanced value by reason of

their being in that shop, so is the identified and advertised and price-protected product of a manufacturer invested with a superior value by reason of that manufacturer's mark upon the goods and the consumer's continued satisfaction in their use. The more the advertising "pulls" the less need for the salesman to "push."

The profit problem of a manufacturer is the same as that in running a passenger train. If the cars on a train have an average carrying capacity of eight passengers, it is the business problem of the management to regulate the frequency of the trains and number of cars to ensure a profit for each. If an average of four passengers per car ensures the cost of running the train then it is obvious that an average of five passengers ensures a profit, and that an average of three will entail a loss. Here it is the fifth passenger that has to be depended upon to pay dividends.

If the railway is running upon a three-passenger basis, one of three things is necessary: either some means must be employed to induce the fourth passenger to book his seat, or the cost of running the train must be brought down to a three-passenger level, or the price for the service must be increased. Assuming that there are no illegitimate expenses, that administrative and executive control is efficient, then it follows that any reduction in operating expenses must result in reduced speed, comfort, or safety in train service. This, as well as an increase in price, must react unfavourably upon traffic, and a further reduction in the average passengers per carriage. Continual readjustment of necessary expense to a declining traffic must inevitably result in utter ruin, just as advance in price to meet declining turn-over only precipitates total failure.

The analogy to any business is perfect. What is necessary in any case requiring increased profits (and what business is ever exempt from this desideratum?) is, first,

to cut out all illegitimate expense, if such exists. The next thing to do is to smarten up the service rendered, by every possible means. But superiority of service is of no avail unless the public is advised of it.

To fill up that fifth, sixth, seventh and eighth seat with the least possible delay and at the minimum expense—that is the problem. It can be done only by giving superior service and by making that fact known. That is advertising.

What the manufacturer desires, and what every middleman desires, is the same as that desired by the railway company, viz., the greatest possible volume of business in excess of that necessary to pay expenses. Initial fixed charges cannot be avoided, and are a heavy burden upon a new or undeveloped business. But such charges can be reduced to a microscopic decimal by sufficiently multiplying the turn-over.

It is a regrettable fact that but few manufacturers who spend money for advertising, although convinced of its necessity, have more than a hazy idea of its application. The following extract from an article in *Printers' Ink* by Elmer L. Cline, Sales and Advertising Manager of an important manufacturing concern, sheds a flood of light upon the efficient application of advertising to Sales Extension and Sales Cost Reduction. He says—

“In planning every advertising campaign, we make the salesman an important unit. The salesman's part is just as vital as the selection of advertising media, and even receives a part of our appropriation in real money, as incorporated in sales contests, in order to secure the ‘cash in’ on the salesman's co-operation. This feature is never lost sight of.

“We do not divorce our sales and advertising. We call our sales and advertising effort a ‘sales campaign.’ This immediately puts the responsibility of our success on the shoulders of the salesmen. We then show them how

half of our sales campaign is to be the salesmen's individual effort, half of it is to be the advertising which we will put out to help their individual effort, and that to make it a success we must have their entire co-operation to cement these two together into a telling 'sales campaign.'

"We have gained the confidence of our salesmen by practising what we preach; in other words jumping in and doing what we ask them to do, and then showing them the results.

"Splendid co-operation has been received from our salesmen by basing all our recent sales contests on a point basis, and making the placing of advertising signs, the location of advertising space, the suggestion of advertising ideas and every other feature of co-operation that the salesmen can give to the advertising campaign, valuable point-earners in the sales contest. This feature has brought splendid results, and in this connection I want to cite the instance of one of our salesmen who, though he was at the top in his sales standing, emphatically refused to distribute signs to his dealers on the basis that the class of stores he sold would not permit signs.

"All arguments failed until we put the placing of signs on a basis of points in the sales contest in such a way as to make it absolutely necessary for a man hoping to win to put up signs. This salesman always having been near the top in his sales standing, could not afford to have his reputation lost, therefore, much against his will, he found it necessary to go out and try to put up signs in his stores, and to his surprise he was turned down in but two instances, and to his further surprise he found the signs helped his sales. He then wanted more signs, with the result that this man the following year was one of the most enthusiastic salesmen for our advertising in our entire organization, and was able to win the sales contest, which fact had a most telling influence on the other salesmen for further co-operation with the advertising.

"We prove to those that are lagging behind the advan-



tages of advertising co-operation by showing them the actual figures of sales results of the men who are giving this co-operation to our advertising.

"In all the salesmen's meetings, which are held at regular intervals, advertising always has its place. We have talks from the various salesmen themselves as to their own experiences and results from using certain kinds of advertising. We always make the theme of advertising interesting by telling the men at these times of other advertising successes entirely foreign to our own business, how they have been accomplished and the results of the efforts.

"We keep our salesmen's enthusiasm up by having an advertising display arranged in the salesmen's room, which is regularly changed. This keeps them posted as to what we have for them, the kind of advertising we are running and how they can best use it. We also, through correspondence, keep the salesmen posted at all times by means of letters and circulars as to the advertising which we are doing and expect to do, and suggest how they can use it and talk about it to the best advantage.

"We have linked up our salesmen and dealers through the medium of our house-organ, *Sales Force*. In this way we back up the salesmen's talks about the advantages of advertised products to the dealer; how advertising does not increase the cost of products but lowers it; how the merchant can make more in a year's time by selling advertised products that move rapidly on a less margin, but greater turn-over, than he can on slow-moving, high-margin products. We show the dealer the advantages to be gained by him from our advertising by telling him, through a word from the house, the successes other merchants are making by taking advantage of our advertising and giving us their co-operation.

"Articles appearing in this house-organ give the salesmen something to talk about, back up their arguments, and in this way are a most effective means not only of

co-operation through the dealer, but of proving to the salesmen that we are behind them.

"Interest is also constantly kept alive by what we call 'advertising our advertising.' This is carried on direct with the dealer through letters, circulars, announcements, and advance proofs of advertising that is to be run, and in this way keeping the dealer as well as the salesman constantly posted on the kind and extent of advertising in force and how and when to apply it.

"Another splendid means of keeping our salesmen interested is by taking them into our counsel, advising with them as to the most effective kinds of advertising, asking for their suggestions, etc.

"In training new salesmen, before placing them on permanent territories, we work them through the advertising department, and in this way they learn something about the value of advertising, the ways to handle it, the various kinds of advertising and what to do with it by having actually worked with it, and also having been shown in figures the results of advertising where it is properly used."

## CHAPTER VI

### HOW TO WIN THE CONSUMER

THERE is an inborn desire for possession, latent or developed, in every one. Aside from the primitive demands of appetite and sensation there are æsthetic desires that for ever outrun one's power to satisfy.

This force of human desire, whether active or latent, is natural, constant, and if not diverted, curiously cumulative. It is subject to stimulation and development, and responds eagerly to suggestion.

The total existing or potential expression of this force in any community, together with its ability to satisfy itself, constitutes the value of that community as a market for goods which are, or may be, desired.

Therefore the study of market possibilities is not the consideration of the existing trade conditions which govern it at the moment, or that have existed in the past, but rather what would be the result of a certain developing policy if applied to it. Or on the other hand, given a full knowledge of existing conditions, what stimulative policy can be applied with a reasonable certainty of success with respect to the introduction of a new product, or the further development of existing trade.

Too many manufacturers are in the same plight as the man who "couldn't see the wood for the trees." All their power of observation and analysis is consumed in the consideration of the *machinery of trade* rather than the potential value of the market, and the efficient means for extracting that value in the form of profit on sales.

There are but two factors in the problem: first, can

a plan be devised that may be depended upon to induce a sufficient desire for the goods? Second, is the purchasing power of the community sufficient to justify the cost of the undertaking in the event of the desire being created?

The distributive machinery for carrying out the enterprise is there already, the cost for distribution is well known, and does not require profound study. What does demand high-efficiency brains is the determining of the best means for setting the machine in motion. What is wanted is a dynamo to make the old machine hum.

No one but the consumer can excite the "trade" out of its sleepy mechanical routine. The only thing that will make the middleman "step lively" is a rapid and steady "call" for, or a ready acceptance of, a line of goods. The goods that "move" steadily and rapidly have the front seat in every store. To him that has trade it shall be given, and from him that has it not it shall be taken away.

It is the thing that moves (sells) with the least effort that every one pushes along. And the only man who can start the ball rolling is—the consumer. There is one way, and only one way, to secure his co-operation—and *that is by advertising*. I have so far kept this most important factor in the reduction of selling costs as much in the background as possible, because, for manufacturers who know little or nothing about it, the word advertising seems to possess the fatal quality of antagonism. Why, no one can explain. Possibly it is because those who have steadily refused to study it look upon it as a luxury beyond their reach. But advertising is the Hamlet of the play. It cannot be eliminated without disaster. Efficient advertising to the consumer is the only way humanly possible to reduce selling costs.

Every fact dealing with efficient present-day selling points unerringly to advertising as the one modern invention that possesses the power to bring down selling

costs on any line of valuable goods expected to be steadily sold to the public. This is easy to understand when it is remembered that the consumer is the deciding factor in all selling, and that by no other means but by advertising in some form or other can the consumer be reached.

It is only by stimulating the consumer by efficient advertising that the machinery of trade can be speeded up, a line of goods be given rapid and thorough distribution, and the boundaries of any market extended on a profitable, permanent basis.

I fancy that I hear many manufacturers reply that this is all nonsense, moonshine: that it is an obvious attempt to stampede the reader into extensive and hazardous speculation, etc. And many a one will dismiss the subject by contemptuously reminding himself that he knows all about it, because he has advertised and found it a troublesome, expensive, and profitless gamble.

Nor is it surprising that many will take this view, because much advertising is inefficient, and necessarily, for that reason, unprofitable; but whether or not I succeed in removing this prejudice, which is not due to advertising but to its inefficient application, it remains as sure as night follows day that sooner or later every progressive manufacturer in the land will come to realize the truth of my contention, and will carefully study the potentialities and limitations of advertising with an open, intelligent mind, and will demonstrate for himself its power to reduce selling cost.

To get at once at the throat of the paralysing prejudice against advertising that is holding back the possible, permanent, profitable development of so many business-houses it is necessary to define just what it is.

First let me state what it is *not*. It is not pandering to the advertiser's vanity. A large percentage of failure in advertising is due to the desire of the advertiser to see his name in print—and the bigger his name is shown, the better pleased is he. Efficient advertising must deal

with goods. It must be informative and cumulative, and create confidence in their worth or desirability.

Dabbling in advertising is not advertising in the constructive sense in which it is meant here. Probably the greater amount of money wasted in advertising is due to the unorganized and eccentric methods employed. Dabbling is fatal to any advertising effort. It takes various forms. One can dabble in method: by trying first one form of publicity and then another, without giving anything sufficient time to be demonstrated; by scattering an appropriation over a much wider field than it is sufficient to cover with any prospect of effectiveness; by jumping in and out, and by so doing preventing all accumulative benefit.

Men who do not have a definite, well-planned, well-considered, and courageously undertaken scheme of advertising are mere dabblers—amateurs, whose opinions regarding the value of efficient advertising are worthless. Of course, such advertising does not pay. Neither does a salesman pay who depends upon his smart appearance, and who only works when his breakfast agrees with him; who does not know how to sell goods, and who has no well-considered proposition to put up to his customers. He also is a dabbler, yet the fact that such a man fails as a salesman does not in the least prove that an efficient salesman is not a valuable factor in business.

There are big dabblers as well as small ones. It is not the amount mis-spent, but the method of spending it, that marks the dabbler.

By no means do all dabblers come to grief. By far the greater part of wastage in advertising is among those who continue to spend considerable sums in inefficient or semi-inefficient methods. It may be even admitted that they get some benefit from their unorganized expenditure, but it still remains that they get but a fraction of its possible result. A leaky cylinder on an engine may drive the

machine, but it would drive a larger machine, or the same machine with less fuel, if the leak were stopped.

Efficiency in advertising includes the stopping of the leaks as well as the intelligent application of the power. Efficient advertising will produce an equal effect in the development of sales and good-will for less expenditure than will inefficient effort, or greater result at the same cost.

Many a man who discharges a workman who neglects to stop a small leak in the engine calmly permits himself, year after year, to continue the leakage of hundreds of dollars in his advertising.

The reason why these advertising "joy riders" do not soon come to grief, but continue on and on, season after season, in leaky advertising methods, is because advertising is only a subordinate factor in their business. It is only a fly on the fly-wheel of their enterprise which is kept in motion by some other intelligent effort, or by previously acquired momentum. They can play all sorts of pranks with the fly, or even smash him, but the wheel keeps up its revolution if enough force of another sort is put behind it, or for a considerable period if it has already acquired considerable momentum.

There is a vast amount of money spent in ill-considered advertising effort. *Advertising—efficient advertising—is TELLING, just as farming is TILLING. Both have to be done with intelligence and experience, and with determined energy and persistency if a full harvest is to be expected. The advertiser must tell the public—and keep on telling.*

Let us admit without argument, that except for a new and entirely novel article for which a want must be actually created, *e.g.*, a player-piano, a gramophone, or, indeed, anything which has not previously been known to the public, trade can be established, developed, and maintained, even in these days, without "consumer" advertising. On the other hand, it must be admitted that these results cannot now, as formerly, be thus obtained except by transcendent commercial geniuses,

and at much greater cost than is demanded by the more subtle and assured advertising method.

The good-will accruing from these contrasted processes will be of immensely greater value under the advertising method, which results in a living and growing reputation among the consuming millions, persisting so long as quality of goods and efficient advertising are maintained.

Good-will that is based upon lavish favours bestowed upon the middleman, who, in fact, can only sell what his customer demands or will accept, and who is daily being importuned by irresponsible or unsophisticated manufacturers of competitive goods, and tempted with even more lavish offers for his friendly interest, is indeed founded on the sands. Good-will that is perpetually for sale to the highest bidder, that is dependent upon the temper, the caprice, and the cupidity of a few hundred men who have no vital interest in it, and whose self-interest is always on the alert for more favourable consideration, is, indeed, a doubtful asset. Good-will based upon 100 men is discounted by one per cent. when one turns traitor; if based on 1000, a rebel means only one-tenth of one per cent. loss; when based upon 1,000,000 the vagaries of the individual may be ignored.

The middleman's chief interest in an article is in its saleability, and the profit it yields him. His business is to supply what his customers require, and to retain for himself such margins of profit as he can secure. It is, therefore, obvious that the interest or good-will of any one of the manufacturers whose goods he sells has no appreciable weight against his own interests, and is continually being destroyed by the competitive offers of rival manufacturers.

The only good-will that persists, that can be permanently developed, that with any degree of financial safety can be included in a balance sheet or reckoned with in a transfer, is that firmly based upon profitable sale of goods demanded by the actual consumers of them. Such



good-will is a perpetual insurance policy against "bad times" and against aggressive competition.

The consumer buys an article solely because he has reasons to believe it best serves his purpose. His interest in it is selfish and based upon his judgment, and is not easily shifted. The consumers of most articles that can be successfully advertised are so numerous that, individually, they are inaccessible to rival manufacturers, and so cannot be seduced from their allegiance to an advertised brand of goods except by superior competitive advertising. By defensive advertising, a manufacturer is able to checkmate any such effort of the rival concern. As in modern war, the well-entrenched advertiser can only be dislodged by superior weight of metal. In other words, the man who occupies the market can defend himself at less cost than is necessary for the attacking party.

The persistency of demand for an article that has taken a firm position in popular consumption is very great, often continuing many years after advertising and selling effort of every kind has been discontinued. This goes to prove the advantage and value of a good-will based upon the consumer's good opinion. That it is of even greater value if properly nourished by persistent advertising is without doubt. Even a neglected orchard will continue to bear fruit for many years, but not in comparison to its yield if properly cultivated.

Advertising, if efficiently employed, will not only secure thorough distribution for an article throughout a given market, more economically than any other method, and at the same time build up a more valuable and permanent good-will, but it will accomplish these results more rapidly.

Just as the newspapers have steadily developed during the last generation, as a result of popular education, so the problem of selling goods has been changed: the public has learned to read and to form its own opinion—to demand what it wants.

To-day new wants can be created, and changes of opinion effected in a single season, that in former times could not have been produced in a generation.

Another factor in this change is the greatly increased facilities for cheap passenger transport, which have led to a corresponding growth of travel and intermingling of people, and a wider interchange of private opinion.

Whereas in the pre-cheap-transport period, which coincides with the pre-free-education period, public opinion was a matter of very slow growth, and changes of habits were of slow evolution, to-day by reason of the popular journal, which presents a perfectly free interchange of thought, and stimulates desire for experiment in the ordinary conduct of domestic and personal and national affairs, the public is interested in new things, and directly influenced by advertisement.

This condition provides the leverage to the acknowledged modern power of efficient advertising. It also explains why advertising to the public is to-day the most efficient means of reducing selling costs over an extended area. Thus a new environment confronts the manufacturer. That it has developed gradually does not lessen its importance; that it continues to evolve with constant acceleration demands that every one who hopes to keep up with the procession shall forget the past, shall realize the present, and peer into the future. We must

— breast the tide of Time, be not mere driftwood;  
Must dare, must do, must front the dawning sun.

The only way to win the consumer is to cultivate his interest in the goods offered for sale. The only way to arouse his interest is to get his attention and to explain the benefit he will derive from the use of the goods or service offered. If done efficiently, this will create a desire for the goods or service, and invest them with an individuality and superiority that lifts them above ordinary competition. It will certainly create a distinct

bias of opinion in their favour. This bias steadily operates to induce purchase.

By no other means than advertising can this creation and maintenance of favourable public opinion be accomplished. Therefore the only way to win the consumer is by efficient advertising.

The necessity for advertising to the consumer is instinctively realized by any one who affixes a trade-mark or name, or indeed, any mark of identification, to his goods, to enable a trader or consumer easily and definitely to distinguish them.

The circulation of this mark of identification is in itself a primitive form of advertising. Its function is to secure attention to the goods and to attach the good opinion of those handling and using them. In the past this most simple of all forms of advertising has played a most important part in commerce. Marks of this sort carried Manchester cottons all over the world, and even to-day in the Orient the "chop" is a valuable asset and the only form of advertising in those markets for many lines of goods.

An example of the defensive value of the trade-mark is afforded by the steel trap business. These traps, which are used for the capture of fur-bearing animals by primitive Indian and Esquimaux trappers, have a large demand at remote trading-posts, to which the trappers return only once each season from far distant places, bringing with them their season's catch, and taking back with them the necessary supplies for the next season. The long and weary journey back to their trapping grounds, and the impossibility of securing new supplies until the following season, make those keen and extremely practical men most particular as to the dependability of such new traps as they need. Practically all these traps were made by one concern for many years. No one seriously contested the market, and the particular trade-mark which this company stamped into the metal of its

traps came to be known to all the world of professional trappers. Enterprising competition finally undertook to secure a part of this business, but it proved a hopeless task, because the trappers were suspicious of the new goods. They could not afford to pack a doubtful article hundreds of miles, nor to risk a whole season's catch to untried traps. The result is that, before buying, these cautious trappers carefully inspect each trap to discover the familiar mark. Often the mark is concealed by accumulated rust, resulting from careless handling and exposure through long waiting in the primitive trading posts, but these shrewd buyers patiently scratch away the rust and dirt until the required trade-mark is discovered.

If these consumers of traps could read and form opinion by logical reasoning, and if they could be reached by advertising, no doubt other and equally good traps would ultimately find a sale, if efficiently advertised.

The primitive conditions now governing the trap trade are not unlike other market conditions in general only a few generations back. But those conditions no longer exist, except at the outposts of civilization. Sale methods, therefore, that succeeded in earlier and more primitive times, do not respond to present altered trade conditions.

To wait for reputation to spread by the snail-like process of accidental discovery of merit through purchase and use, or to hope by such methods to maintain an occupied position against the onslaught of modern sales and advertising methods, is downright commercial suicide by starvation.

Obviously the first step to be taken in order to occupy, sustain, or develop a market is to come to as close relations as possible with those who constitute the market—the existing and potential consumers.

In the past, goods were dispersed over the world, and found acceptance quickly or slowly by reason of novelty or necessity, or of their trade-mark. Orders for the goods

flowed or trickled back by the roundabout methods of domestic trade or the retail Merchant. The trader got the lion's share of the profit, while concealing the manufacturer from the consumer, and the consumer from the manufacturer. Many manufacturers still submit to this ancient and obsolete method.

No one can remedy this state of affairs but the manufacturer himself. It is the business of no one else to make his mark better known, or to make it synonymous with superior quality. It is the business of no one else to study any market with respect to the steady and permanent advancement of the maker's interests in such market. It is the business of no one else to develop the potential demand of any market for his goods.

Before the consumer was discovered, and before means existed for cultivating his good opinion, the merchant performed a crude, pioneer service of distributing products of manufacture to the retailer. Now, the period of intensive cultivation is upon us, and crude, pioneer methods of trade are as obsolete as are crude, pioneer methods of agriculture. The one pays no better than the other, and neither can continue to succeed. The wooden plough, the ill-bred live-stock, and unfertilized fields of the "good old days," have given place to more intelligent methods of cultivation.

The familiar *laissez-faire* attitude of the merchandise producer must also be abandoned, and a policy of sound sales efficiency substituted. Product must be turned out to meet the consumer's requirements—not the whim of the trader; goods must be "well bred," and the field of distribution must be "fertilized" with efficient advertising to ensure a profitable "crop" of public opinion and sale.

It is not my present purpose to discuss ways and means for this accomplishment. All that is necessary here is to say that such means exist. If any manufacturer will admit the desirability of establishing and maintaining

his sale and re-sale prices, of reducing his selling cost, and of extending his market, he can begin operations at once. He may not be able to proceed as fast as he desires, but if he will only face boldly in the direction of future progress, and resolve to proceed only in that direction, to study his sales problem in the light of present and future conditions, he will be making a beginning.

The importance of maintained sale and re-sale prices demands the careful consideration of any one determined permanently to succeed in any market. Indeed, it is a fundamental principle of economic trading, and the only means for controlling the destinies of a business.

Elsewhere I have dealt with the subject as it relates to the middleman, and have emphasized the necessity for a fair margin of gross profit to permit the average class of trader to secure a fair return upon his turn-over. The effect of retail price maintenance upon the consumer is of great social importance, involving as it does the whole question of cost of living, and of the steady and profitable employment of labour at a fair standard of wage. The latter depends also upon efficient factory organization and steady production—which in turn can be achieved only by a steady consumption of goods by the public, at a fair price.

I have already demonstrated that price is controlled by cost of production and sale, *plus* profit; cost of production can be kept at lowest possible level only by the largest possible steady sale of goods produced; large steady sale is guaranteed only by lowest possible selling cost, and selling cost can be kept at an efficient level only by adhering to a moderate rate of profit. Excessive rate of profit at once advances selling cost, checks sales, and so reduces production and increases all charges.

Efficient commercial enterprise requires that price be standardized, along with standardization of product. Fluctuations in price are costly. They are never a permanent benefit to society. By "fluctuation" is not

meant a permanent change in price. Steady decline in price, if not secured to one section of the community at the expense of another, is, of course, desirable. But no such benefit attaches to temporary and abnormal fluctuations of price. Such tendencies only demoralize commerce. A cut price to-day is made up to-morrow, or a cut price on one item in a purchase is balanced by an equalizing added profit on some other item in the invoice.

Standardization of price is an important factor in price-reduction. This is fully proved by its employment in all important selling operations dealing with standardized, identified, and advertised goods. Usually such goods can be bought at less price than competitive goods of equal value. This is especially noticeable at the present time, when prices are all tending upward. Price-maintained goods are now selling much below open-priced goods of anything like equal value. Many of them have not advanced in price. Their manufacturers have absorbed all advance in labour and materials. This has been done by increased efficiency in production and selling, and by sacrifice of legitimate profit to avoid trade interference by price fluctuation. The fact remains that fixed-priced, advertised goods are now selling lower than open lines. If the pressure of increased cost, due to the advance in price of labour and material, has forced some of these goods to a higher selling price, such advance has been made with greatest reluctance, and deferred as long as possible. The reason for this is due to the knowledge of such manufacturers that price fluctuation is a serious menace to business, and may be permitted only in extreme emergencies.

Just as it is undesirable to increase prices of identified advertised goods to meet temporary increased cost of material and labour, so is it unnecessary to reduce such standardized prices to meet a falling market for material and labour. The manufacturers of such goods, therefore, gain as much on declining markets as they lose on

advancing markets if their price is based upon an average price for material, money and labour. The advantage of a standardized price in maintaining steady production and sale is beyond dispute.

In this country, even though the pinch of labour is not acute, but where cost of living and cost of manufacturers' materials are greatly advanced, much the same problem confronts the producer, as regards the advance in price of manufactured goods, as is manifest elsewhere. The attitude of those producing identified and price-maintained goods is the same as in other countries.

The following extract from an article by Eldridge Reeves Johnson, President of the Victor Talking Machine Company, is most interesting and instructive. Mr. Johnson speaks with authority. He speaks for an enormous business that has been built and maintained upon strictly modern lines. He says<sup>1</sup>—

“Many understand the meaning of price-maintenance, but many still believe that the policy of price-maintenance or standardization of prices is a subtle conspiracy to force them to pay the highest possible price for articles sold under such a system. It would seem that the present prices of general commodities would prove the absurdity of such opinions, and it would also seem that the present time is the time above all others to point out to the public that, while this is a period of the highest prices ever known, especially in the standard lines of necessities, the articles marketed under so-called price-maintenance systems can still be largely obtained at the regular advertised price of the last ten years.

“It is also evident that in the cases where prices have been raised on articles that are sold under a system of price-maintenance the increase has been forced by an increase in prices of raw materials that are not sold under the so-called price-maintenance policies. . . .

<sup>1</sup> *Printers' Ink.*



"It did not seem possible two years ago that all these increasing costs could be absorbed in economies, and it has been accomplished largely by increasing turn-overs and by improved machinery for manufacturing. This shows how hard concerns who advertise and maintain a standard retail price will fight the dreaded necessity of raising prices. Their regular price is a part of their goodwill, and a change courts disaster unless the change is downward. . . .

"The proper retail price should be ascertained and fixed at a certain proportion to the cost of production, and no one but the manufacturer is in a position to ascertain these costs. When prices are too high, the public suffers, but the prosperous public does most of the complaining. When prices are too low, many more suffer, and the poor suffer most because of the curses of lack of employment; namely, hunger, cold, disease and crime. . . .

"The automobile business is the best line in which to study modern business tendencies. Because of its unusually rapid development and its youthfulness, it is bound down by no customs or traditions; it has burst forth in less than half a generation from an atom to a giant in the full vigour of youth.

"On account of the circumstances of trade, the automobile manufacturers can always control the retail prices of their individual product; but the prices of automobiles, which were very high indeed at first, have not been maintained high, although they have been maintained to a standard fixed by each maker independently.

"No reasonable complaint can be made regarding the price of automobiles, the wages paid or working conditions in automobile factories. The public gets the automobile that it is willing or able to pay for. Some are high-priced, and some are astonishingly low-priced. Most of them are worth all that is charged and are astonishingly efficient.

"The fact is that the general condition of the auto-

mobile business, from the standpoint of public worthiness, is decidedly better as a whole than any other line, and this fact would seem to be an unanswerable argument against the theory that a price which is maintained to a standard fixed by the manufacturer has the effect of maintaining prices unduly high.

"The wonderful Ford enterprise pays the highest wages and sells its cars for the lowest prices, but this would be impossible were the company not able to maintain a standard price among its distributing agencies. If the Ford Company could not control its agents, there would soon be developed an internal price-war that would most certainly destroy the efficiency of the organization and the economy of production."

In the above quotation, Mr. Johnson effectively disposes of the argument against standardization of price as a policy for maintaining abnormal prices to the consumer.

In other chapters I have discussed, in considerable detail, the relation of the consumer to the producer. I will leave the matter here by repeating, that efficient salesmanship under modern conditions is impossible without the sedulous and continuous cultivation of the good opinion of the public within which abides existing and potential purchase, that this may be brought into manifestation only by the efficient advertising of identified goods, a fair price for which is established and maintained by the producer.

## CHAPTER VII

### LINKING UP SALES EFFORT

A STUDENT of Advertising must first entirely wipe away all idea that it is a strange and mysterious force; that it can accomplish miracles; that it can build a business out of nothing or out of something good for nothing. Nor will any one who understands its value and usefulness claim that it can operate efficiently unsupported by the intelligent co-operation of a wise, directing mind that understands both its possibilities and its limitations.

If the article to be marketed is to be sold direct to the consumer along lines known as mail-order methods, instead of through local shops, a certain type of genius is required to employ advertising to secure the inquiries from the public, and to deal with them in such a way as to secure the greatest possible percentage of sales. Advertising in this class of business, as in any other, can for the most part only create inquiries; the making of the sale depends upon the clever following up of these inquiries, by skilful correspondence, just as a sale through the trade depends upon display and offer of goods advertised.

No important mail-order business has ever been established or maintained from direct orders from advertising alone. Such work calls for a distinct quality of salesmanship by the written word. All the required follow-up correspondence, catalogues, etc., is in truth advertising, but no more so than the personal salesmanship of the traveller, who sells to the trade and secures retail display

of those articles that reach the public through middlemen who constitute the regular, established trade channels of distribution of such goods.

Advertising is, therefore, in its last analysis, the getting in touch with a customer. The transaction is closed upon payment and delivery of goods.

It is equally correct to include the advertising department of a business in its selling department, or the selling department in the advertising department. Each can separately exist only at the peril of both. Owing to so much ignorant prejudice concerning advertising it will, in most cases, be desirable to include advertising in the selling department. If wisely employed it will very soon dominate that department; but be that as it may, it is easier for the unaccustomed mind to grasp the true significance of the principles of advertising if it is considered a part of the selling organization, which it indis-  
solubly interpenetrates.

Advertising, then, is the first step in making a sale—finding a buyer. It is the only means so far discovered for taking the consuming public into the confidence of the manufacturer, and for informing it with respect to the quality or other advantage possessed by his goods. It is also the only known means for creating an atmosphere of individuality about the goods; as it were, putting them on a pedestal of distinction, above other goods of similar nature. In reality this is nothing more nor less than creating a desire for the goods, which is equivalent to an enhanced public opinion concerning them—something in addition to their intrinsic value. This is not saying that the goods should be misrepresented by advertisement; on the contrary, the public always should be given the most faithful statements concerning them, but there inevitably grows about a well-advertised article a distinct opinion of enhanced value that results in a desire for its possession.

This is the same result attained by highly successful

and much-discussed professional people, and, in final analysis, it is secured by the same means. The great reputations in literature, art, and business are enhanced by popular acclaim more or less beyond their actual or intrinsic values. If a writer has an established reputation his work is sought for by publishers and devoured by the public out of all proportion to the demand that existed for his earlier, though equally valuable, productions. The name of a noted artist on a picture will enhance its price far beyond another of equal merit from a less "prominent" name.

This influence of "prominence" is the essence of advertising, and may be relied upon to enhance the sale and re-sale value of any article of genuine merit to which advertising is efficiently applied, with the same certainty that gravitation will pull an apple to the ground.

It is to be remembered by a manufacturer who is producing several articles, that if they all flow in the same trade channels, it is not by any means necessary to advertise all of them. It is usually preferable to advertise the one outstandingly popular, as regards quality and price, that offers the greatest sale possibilities.

The inevitable result to a manufacturer who has one line in active demand by the consumer through efficient advertising is that his other lines of goods, being offered through the same channel of trade, are to some degree forced along by the progress of the advertised line.

He, at least, will find less resistance from the distributing trade, and will secure a more extended, fuller, and more rapid distribution, and therefore at lower cost, than would another who, undertaking to market the same article, yet lacking the glamour of success that attaches to the manufacturer of a popular, advertised article.

It may be taken as fully proven, that one advertised success in a group of commodities of identical origin lifts the whole output of its producer into a current

of accelerated motion, and that one advertised success makes it easier to succeed with another article, provided it possesses equal selling values. Thus advertising is cumulative, even outside the zone of the particular article advertised.

A prominent manufacturer of standard sanitary plumbing goods, in *Sanitary Pottery*, tells architects and plumbers of the benefits to public, architect, plumber, and his company, of six years' steady advertising. I quote a few paragraphs from an extended article that conclusively proves that efficient advertising gives the public better value—that it lowers selling cost and keeps prices and profits steady, and the factory busy in dull periods. He also incidentally substantiates my claim, that by selecting one specialized article in a line of goods, and efficiently advertising it, the entire factory production is boosted into wider demand. He says—

“Non-advertisers claim that advertising has to be added to the cost of the goods. In a way they are right: it has to be included in the overhead expense, and is. It has been our experience, however, that, instead of our overhead expense being increased by the thousands of dollars added to it by our national advertising, it has stood its ground; and with our better business in 1916 will undoubtedly be lowered.

“And why?

“Because advertising, by creating a demand for our particular line of plumbing fixtures, has increased our volume of business. This additional volume, divided into our overhead, has absorbed the extra charge created by the advertising expenses. Figure it out for yourself. If, with the same number of superintendents, the same office and sales force, an extra \$100,000 worth of business can be created, are we not justified in spending the proportion of that \$100,000 which represents overhead in advertising to get that business? Especially in dull

times, when a falling-off in business represents a climbing overhead?

"Let us see how this worked out in 1915, the year just past, when we employed an excellent campaign of national advertising with fine results. These results can only be proved by comparison. And here is the comparison: During 1915, a dull year in building lines, as all of you know, the Trenton Potteries Company ran its plants much nearer to capacity than any other of the manufacturers of plumbing earthenware. And this was done without price-cutting and often in competition with lower prices. Can there be any question in your mind that advertising is an economic necessity for the progressive manufacturer?

"Neither the plumbing papers nor the architectural publications represent national publicity. They reach the architects and master plumbers, unquestionably, but doing that does not create a demand for more plumbing. You readers are the agents carrying out the wishes of the house builders of the country. To create more and better plumbing we must advertise in magazines that are commonly read. Such is national advertising.

"National advertising is a help to our architectural friends. The specification of the Trenton Potteries Company ware can be accomplished more easily because the client is already familiar with our name. Constant association through the columns of his favourite magazine cannot fail to create a favourable impression, a sort of acquaintanceship and confidence which nobody can have in merchandise of which they have never heard. You seek the approbation of your clients and can most easily secure it by specifying wares of which their own judgment will approve.

"Does national advertising help the master plumber, who is constantly seeking business and must be constantly alert to keep his shop running full? Let me ask a question: How many of you plumbing contractors make a house-

to-house canvass, picturing to the home owner the delights of a fine bathroom, the health of proper sanitation, the added value to their property from a renting and selling standpoint? I'll answer the question: There are very, very few, if any, of you that are doing any such thing. But that is just what we are doing as national advertisers.

"Each month we are going to the public with advertisements. We are suggesting that the proper thing for their homes is a 'Silent Si-wel-clo' closet, a porcelain bath, a new kitchen sink, and so on. It is making business for you because after a while these people come to think of such things as necessities.

"No successful advertising campaign can ever be conducted where the products are not up to the expectations of the purchasers. The Trenton Potteries Company have been national advertisers for six years. It is a striking thing that since the initial insertion a new feeling of pride of workmanship pervaded the whole plant. As a result, to-day the trade is getting from us better ware, better selection, and more careful testing. Every person in our employ is interested in seeing that our advertised claims are made good.

"We have often been asked why we feature the 'Silent Si-wel-clo' closet in our advertising to the apparent exclusion of the balance of our line.

"The 'Si-wel-clo' has the appeal of human interest, but it goes farther in making our advertising successful. Every buyer of the 'Si-wel-clo' has the opportunity to comment upon its superiority, the workmanship, and the splendid fittings. 'Why'—asks the consumer—"if the 'Si-wel-clo' is so good, cannot we expect the rest of the Trenton Potteries Company line to be the same?" And thus we effect our sales: or, rather, you effect them.

"Unquestionably our advertising is creating a reputation for a great many master plumbers who have had the wisdom to take unto themselves some of the prestige our advertising creates. These men feature in their windows



the fact that they handle the Trenton Potteries Company ware. They display the fact on their letter and bill heads. They use our newspaper electros, and our circulars go out with their letters. Such master plumbers—merchants—grab the lion's share of the business for Trenton Potteries Company goods which would normally be distributed among the plumbers of the town."

The first connection to be made in linking up sales effort is to link up the Sales Department and Advertising Department. How are these two departments to be co-ordinated and administered without friction or conflict? There are two chief factors to be considered: inside, or office co-ordination, to include plans and administration, and outside, or Trade and Consumer co-ordination, to include salesmen and their relation to advertising and its results.

Undoubtedly the ideal arrangement is to unite both departments in one capable individual. The difficulty is in securing all the desired qualities in one person. The ideal sales-manager should be a natural leader of men and a master of sales strategy. He should have had varied and successful experience on the road selling goods, and be well aware of all the difficulties that beset the salesman in actual contact with the trade, and of all the weaknesses and subterfuges of incompetent salesmen. He should be a shrewd judge of men. Such a man instils confidence into his staff and can get the last ounce of selling power from it. The sales-manager with only arm-chair theories of salesmanship, however good they may be, will hardly be able to hold salesmen with a sufficiently firm hand to ensure efficient work.

On the other hand, an advertising manager should have had considerable experience in advertising. He should be quick to discover the salient sales features of the goods, and to know how to present them attractively to the consumer and to the trade; know the relative value

of the different available advertising media at varying points and periods of progress. He must know how to handle inquiries and complaints; understand to a degree how to hitch advertising force in harness with the personal sales force to get the greatest possible leverage upon the trade, and so ensure adequate distribution of goods to make the advertising expenditure fully efficient.

A little consideration will disclose how difficult it is to find all these qualifications under one hat. The single-headed dual department is only possible in a business of magnitude if the incumbent is a capable organizer, and can support himself on his weaker side with a superior assistant who supplies the qualities and experience he lacks.

In a large business, for above-mentioned reasons, it will be usually more practical to have both a Sales Manager and an Advertising Manager, and the whole selling force divided into these two divisions working in perfect unison and intelligent harmony.

Under the sales management will fall the travelling sales force, the traffic or shipping and warehousing force, all properly connected up with credits, collections, trade complaints and adjustments.

Under the advertising management will fall the advertising force organized to care for Press, poster, and other advertising printing and despatching of all forms of advertising, including circulars, shop signs, and other display matter; the handling, through the sales force, of inquiries from the public, to bring pressure upon the retailer, and all correspondence with the public.

The larger part of the responsibility and detail of this department can be shifted to an efficient advertising agent equipped by experience and organization to deal intelligently with it. There are so few experienced and efficient men available as advertising managers that it is usual for a capable sales manager, helped by an assistant advertis-

ing manager, to assume the responsibility for the complete selling organization, and to delegate the responsibility for the detail of the advertising to an advertising agency.

But, however the various responsibilities are distributed, only concerted action among all the parts working in complete harmony will accomplish the desired and required efficiency.

Salesmen are born only with a tendency to salesmanship. They must be trained to their work, and trained with respect to the goods they are sent out to sell. It is a fallacy to expect to find a salesman by accident. They are few and far between—and good ones are seldom looking for a post. Therefore they must be trained—and trained by one who knows his business. Selling is an art and demands unusual ability and character to really succeed. The salesman must be fully posted concerning the goods he is selling, and be able to train the wholesale travellers with respect to their saleability, if they are selling through the wholesaler. He must be able to interest and inspire the confidence of the retailer, and to show shop-assistants how to sell the goods to the public.

He must be *instructed*, not merely *advised*, regarding trade and consumer advertising and its relation to the dealer. He must be disciplined, and brought into harmony with the principles and practices of the business.

Linking up sales effort discloses many valuable means for co-operation between advertising and selling. In introductory work, or to "buck up" a town or district, special advertising may be made to synchronize with a big scheme of window shows; larger advertisements may be arranged to include the names of retailers who have stock, and those who buy before a certain date; retailers may be induced to advertise the goods on their own account through newspapers, posters, or circulars, to link up with special boom campaigns.

Direct postal communication with the trade is often of distinct value in developing the dealer's points of view

regarding matters in doubt. The sending of consumers' inquiries to near-by retailers makes for greater interest on their part. Sending such inquiries to the traveller soon to call on the dealers in the locality gives him a splendid opening. Unless properly trained, salesmen do not appreciate such helps; therefore they should be schooled to understand the advantage.

It is not enough to put goods on the retailer's shelves. He should be educated to the advantage of making a display of superior goods in active demand. It is to his interest to be identified with such goods, and a traveller is not doing his work properly unless he imparts enthusiasm to his customers. The sale points of the goods should be drummed into the heads of the retailer and his assistants. This is as much a part of selling as is the taking of the order.

Some advertising departments utilize the outside selling staff as educators of the consumer. Saturday mornings, when little can be done with the busy retailer, the travellers are turned upon the consumer—not to peddle goods, but to interview consumers and exploit the goods, stating where they can be bought. Much of importance to the advertising department may be discovered by this means. I know of a salesman who could not get his goods into a certain town because the retailers were unanimous in their opinion that they were too high-priced. He spent a day calling on the housewives of the town, with the result that he succeeded in interesting so many to the point of demanding the goods that several dealers were positively forced by their customers to stock those goods before he left the town.

The importance of a complete co-ordination of advertising and selling is well expressed in the following article by H. P. Dowst, the representative of a Boston advertising agency. Mr. Dowst is scathing in his denunciation of inefficiency in advertising, nor does he spare the advertising agent. Nor should the agent be spared: he

is a link in the chain of efficiency that moves the world's business, and no chain is stronger than its weakest link. Therefore the same rigid efficiency should be demanded of the advertising agent as of any other factor in the complete motive power—the engine is only dead metal if the sparkler does not work properly. Mr. Dowst says<sup>1</sup>—

“I talked not long ago with the New England manager of one of our biggest advertising textile houses. I said, ‘Your house is a great advertiser.’ He replied, ‘Yes,’ that’s so. I wish they wouldn’t put so much money into advertising, but pay us salesmen more commission.’

“Do you think the house that man sells for is getting value received for the advertising dollar? Do you think that is an isolated case? I should say not.

“Now if you will get the average salesman into a corner and question him about the advertising of his house, about its effect on his business, the attitude of the retailer toward the house and its advertising, about the use he makes of the advertising argument when he is selling goods, what will he do? Usually one of two things: he’ll duck, or else he’ll give you the answers he thinks you want. If you draw him out, you can tie him in bowknots of equivocation and evasion. And if you were to make a tour of that man’s territory and question his customers, who are, or should be, handling your goods, you would soon find out why some advertising doesn’t pay. You would find just how little those retail dealers know about your goods and about the advertising—things that your salesman ought to have taught them.

“This is usually not the salesman’s fault, at that. Every good salesman wants to know all he can about the goods he sells; he wants all the arguments that will help him place goods and secure repeat orders. But the manufacturer—the advertiser—doesn’t instruct him. He ‘notifies’ him. That’s all.

<sup>1</sup> *Printers’ Ink.*

"The most useful ally the advertiser can have is the last person through whose hands his goods must go before they reach the consumer, and that is the retailer—more especially the retail clerk.

"The salesman may actually succeed in placing the goods. He stocks the retailer, folds up his order, and beats it for the next store, or the next town. It should be part of his duty to interest the retailer in the goods to a point beyond placing them on the shelves. He should give the retailer information, the enthusiasm, the inspiration, to sell those goods—to push them. And he should have cultivated in him by his employer and the advertising man the powers of observation that will enable him to make an intelligent report on the attitude of the dealer toward his goods every time he calls there. He should be taught how to gauge the effect of the advertising of his house in every locality he visits. He should be able to inform his employer, not alone that A, B, or C is buying his goods, but to what extent A, B, or C is benefiting by reason of the firm's advertising. . . .

"We want, in the advertising business, not more honest men, but to be ourselves more honest. We need to be more frankly willing to recognize the difficulties of our proposition; to study more earnestly the essentials of our calling. We hear much about 'clean advertising' and 'honest advertising.' But that subject will never be adequately covered so long as one professional advertising man is left who considers the sole requirement of a good advertiser to be an established credit and a fat cheque book.

"A man said to me lately: 'The advertising man has got to see the day when he not only tells his customer how to advertise, but can go into his factory and tell him how to re-arrange his machinery to increase his output efficiency.' I don't believe that. But I do believe that the successful advertising man of the future—yes, of the present—must be the man who goes soberly and

analytically about his customers' business with the one idea in mind, to sell goods—more goods—at lower selling expense, for better prices with larger profit.

“Buying or selling space and filling it with copy—ever so good copy—is only one detail of such an advertising man's work. Organizing, co-ordinating, and facilitating selling—that is the advertising man's task; and when the law of this just relation between advertising and sales shall have been established we shall rob the advertising graveyard of its prey, and shall knit into the gospel of business the truism of our calling, ‘Advertising pays.’”

Mr. Dowst strikes a top-note of idealism in his demand for full efficiency in advertising and selling, and it is well that he does. Progress would be much faster if all advertising agents daily set for themselves the difficult task of perfection. Fortunately, efficiency in advertising, which is only a comparative term, has developed to a state that, in spite of existing deficiencies, it is superior to all other selling forces.

Perfection fully attained degenerates into mere automatism, as exhibited in plants, insects, and in all forms of animal life, in a decreasing degree as intelligence and reflection gain control over instinct. There never can be such a thing as a fully efficient advertising man or salesman, or a perfect organization. Mr. Dowst's perfect advertising agent will not set foot on earth until we discover also the perfected physician, the infallible lawyer, and the consummate merchant and manufacturer—never, indeed, until humanity itself attains perfection, when we may assume that the specially trained functions of all these and other specialists, consecrated to the development and repair of a progressing and stumbling humanity, will be no longer required. Until perfection is attained and all the ordinary functions of life become purely automatic, the soul of man must be for ever determined to “do it better.”

In an article entitled "Bringing Sales up to Factory Efficiency" in the *Efficiency Magazine*, Edward S. Babcox says, in discussing the Big Problem in Modern Business—

"The present-day problem—the great master-problem of business—is not found in manufacturing, nor capital, nor materials, nor labour. The big thinkers, the inventors and the executive chiefs have fought and thought their way through these barriers." He continues—

"The big problem, then, is what?"

"In my judgment one word covers it, and that word is—'Distribution'—a wonderful, all-comprehensive word.

"Now, what is the salesman's chief assistant? I maintain it is—ADVERTISING.

"Advertising is the great labour-saving device of Distribution. It is an effective method of helping salesmen manufacture the general public into customers. It goes ahead of the sales force and tells millions of people about your product.

"Advertising is like a great national business-card flung far and wide. Advertising saves salesmen because it does the hard, laborious work of distribution—it introduces and makes known to the public the product you are selling.

"The wise salesmen, the most successful salesmen, study advertising and use it in their work.

"In Washington they are building a wonderful structure to be used as the Masonic Consistory. It is a replica of King Solomon's Temple. On either side of the approach to the building is to be a great Sphinx carved out of solid stone. While there recently I saw ordinary workmen with heavy mallets and sledges breaking off the big corners of one of these stones. On the other side, under a temporary housing, were expert sculptors using the finest of mallets and chisels putting character into the finished work. Advertising may knock off the rough edges and lay the foundation for the campaign, but the salesman



with his delicate sense of perception and understanding must complete the job.

"The relative efficiency of factory is ahead of the efficiency of sales organization, as a rule, because factory men deal with tangible matter, while salesmen deal with human beings no two of whom are alike.

"I predict that some day in the very near future some colossal sales manager will rise above all the rest and show manufacturers how to train men (salesmen) to work with factory efficiency; how to study people and character. He will show salesmen how to plan their work scientifically. He will show them how advertising, if properly understood and used, may be co-ordinated with personal selling effort and made of exceptional assistance to the entire organization.

"This man will show the sales force that after all, while there are five great M's in business: Money, Material, Machinery, Market, and Man—the basis of the entire structure of business is MAN.

"And so I believe that while our manufacturing systems are not perfect, yet they are infinitely in advance of our marketing methods.

"I further believe that our marketing methods are on the high-road to increased efficiency, and that great results will come when our sales organizations really appreciate how advertising plays a vital part in their specific work.

"My parting plea, therefore, is—study the advertising policies and campaigns of your respective organizations, support them and the men responsible for them with all your heart and soul. From this co-operation nothing can result except the increased efficiency for which every man of us is struggling."

It is not to be inferred from this sensible opinion of Mr. Babcox, that successful advertising demands an elaborate background of salesmen and intricate organization. These matters depend upon circumstances, and

the nature of the article to be sold. Trade work may fluctuate according to necessity, as also may consumer advertising, but the point to be observed is that advertising and personal salesmanship are reciprocal, and that effort in one direction should be co-ordinated with that employed in the other. "Lost motion" in the machinery of selling is as wasteful as in the machinery of production.

It is to be remembered that efficiency does not imply elaboration. The most efficient machine is always the simplest that will accomplish its purpose. It is the same with sales organization. The absolute unit is one man who possesses the power to organize the requisite machinery of selling, to accomplish most efficiently the purpose in hand. It may consist only of himself, or a part of his time, or be an elaborate and extensive organization consisting of hundreds of men to cover all the markets of the world. In any event, it must be closely linked up with the advertising to ensure the efficient distribution of the goods produced.

Just as there may be some processes in manufacturing so delicate and precise, or which require temperamental treatment, that they may not be accomplished by machine work, so there may be processes in selling too delicate to be achieved by advertising, and requiring the master touch of the trained salesman.

Advertising is a machine salesman and, like the machine in the factory, is a labour-saver and a cost-saver in direct proportion to its efficiency and suitability for the purpose to which it is applied. It works *en masse*, and should not be expected to perform delicate diplomatic tasks that may only be accomplished by personal interview. Machine work, in some production, is of so little value that it may be nearly or wholly dispensed with. In other lines automatic machinery may be almost wholly employed. So there are conditions of selling wherein personal salesmanship is largely required, and advertising is of little or no advantage. On the other hand, there

are conditions where advertising may be entrusted with all, or very nearly all, of the task of selling, and personal salesmanship to a greater or less extent dispensed with. The relative advantage depends largely upon whether the goods are consumed by large or small groups of the public.

But whether extended or restricted markets are to be exploited; whether competition is keen or passive; whether middlemen are hospitable or otherwise, extensive permanent sale, at a profit, can only be achieved by securing the interest and good-will of the potential consumer. Beyond the boundaries of personal canvass and acquaintance, the only means of accomplishing this is advertising.

This is well known to many highly successful men, and was concisely expressed by Mr. Conrad P. Fry, of Messrs. J. S. Fry & Sons, Ltd., of Bristol, England, upon the occasion of his retirement from active business after a long, honourable, and successful business career. In his opinion advertising is the chief text in the Gospel of Business. I quote from the *Daily News*, London—

“You ask for my opinion of Advertising as a business policy, and what it has done for the firm J. S. Fry & Sons, Ltd. In reply, I might well ask, What has it *not* done? I would describe Advertising as the chief text in the Gospel of Business. Without it we could never have given—and be giving—employment to so many thousands of workers, or have benefited so many millions of people by our manufactures. One would say as the result of practical knowledge that *all* forms of Advertisement are good and beneficial, relatively; though in my opinion—I give it for what it is worth—those in newspapers and magazines are probably more far-reaching in their results. From long experience I am convinced that, as Sir William Lever so well puts it: ‘The firms which have continued to advertise have benefited enormously and so will continue

advertising.' Is it not undeniable that the success of nearly all our great commercial concerns has been largely due to the application of this educational and dynamic principle? Of course, it can only be expected to succeed where the commodities concerned are intrinsically good and valuable in themselves and able to stand the test of time."

An eloquent testimonial to the value of advertising—all the more weighty and quotable because it comes from a man who is looking back upon a lifetime's association with advertising as a sales-creating force. Here is, indeed, a frank acknowledgment of advertising as an educational and dynamic force of enormous value when linked up with organized sales effort from one in every way worthy to speak upon the subject. It will also be noted that the opinion expressed is substantiated by Sir William Lever, than whom there is no man living better qualified to judge.

## CHAPTER VIII

### THE FUNCTIONS OF ADVERTISING

ADVERTISING is a machine for influencing public opinion in the mass. Its function is to influence groups of individuals rather than separate units. It may be successfully employed to supplant or supplement personal salesmanship just in proportion to the extent or mass of public opinion to be shifted.

In other words, the primary function of advertising is to overcome the inertia of the public. To a manufacturer who fails to secure a satisfactory response to sales effort it may seem that the public is antagonistic to his goods—that something is wrong with the style, character, quality, or price. Indeed, this may be the trouble, but more than likely it is only the inertia of the public that is to blame.

Habit of thought and action is a stubborn thing. The inertia of the Trade with respect to a line of goods can only be overcome by public preference for those goods. Nothing less than a distinct shock or strong persistent pressure can be expected to move the public from its dead-centre of habitual inertia. Attention must be secured, interest aroused, confidence established, and desire induced before goods begin to move freely. All of these factors of sale must be stimulated to a point that compels favourable decision, and this can be done in a large way only by advertising—and economically done only by efficient advertising.

When efficiently carried out, advertising thus breaks

the ground for the trade salesman's rapid introduction of the goods; his work can be done at a fraction of the cost of that demanded by the slow, laborious process of trying to sell the middleman goods for which there is no inquiry. But a certain amount of time is necessary to influence public opinion. The length of time required is measured by the character and price of the goods, and by the efficiency of the advertising.

In selling goods, time may be considered the fulcrum, the character or quality and price of the goods the lever, and salesmanship the force applied to move the dead weight of public inertia. Time cannot be eliminated, but either super-quality, or low price of goods, or super-efficiency of advertising and salesmanship, will reduce the waiting period, and if combined reduces the time factor to the absolute minimum. The more satisfactory the goods, as regards character and quality, with relation to price, the less is the strain upon salesmanship, which must include advertising, that being the only force sufficiently powerful to move whole masses of opinion *en bloc*. The area and weight of the opinion to be shifted determines the requisite selling force to be applied.

The amount of available force is the product of two factors: the weight of capital employed, as measured by the volume of personal salesmanship and advertising that it will purchase, and the efficiency of its application.

The weight of the opinion to be shifted depends upon existing and developing competition and trade conditions generally, including the purchasing power and susceptibility of the public.

Just as a trained athlete, who knows exactly how to apply his strength in lifting a weight, can lift a much heavier load than can an untrained man of equal strength, so can the trained salesman or advertising man, with any given amount of expenditure, lift trade opinion or public opinion to a higher purchasing level than can an untrained man.

Advertising has had enormous effect in increasing the consumption of almost every conceivable manufactured product; it stimulates demand, not only for the article advertised, but also for similar and competitive lines. This is evidenced by the host of imitators that succeed in maintaining a parasitic existence upon the demand created by successful and substantial advertisers. But for these imitative pests, which subject all advertising to a serious discount, the advertiser's quick, certain, and immense advantage would be so outstanding and colossal, as compared with the non-advertiser, that there would be no need for any one to urge advertising upon the attention of any manufacturer. Not one of them could fail to see, and take advantage of it. But with this discount always operating it still remains the most important selling force in modern business.

Advertising also has a most beneficial effect in stabilizing a market. The manufacturer of advertised goods does not know those periods of famine and glut that so frequently are experienced by those who do not control their markets. By thus manipulating demand, consumption is developed into a steady current, flowing always in one direction, and can be gauged or estimated well in advance. When cleverly carried out the pressure of advertising can be so nicely adjusted that production can be kept at an even, economical pace, and production cost and sales cost reduced to a minimum.

Advertising also tends to specializing in manufacture. Concerns that make several, or a multiplicity of almost identical products, invariably find that a successfully advertised speciality gradually reduces, or entirely eliminates, other similar lines which in the beginning were looked upon as necessary. Those things of similar character, introduced from time to time to meet trade emergencies, gradually sink into oblivion, because there ceases to be any need of them. The advertised line absorbs all these petty and vexatious and unprofitable

efforts to meet slight variations in different markets or fluctuating trade conditions in any given market. The net manufacturing result is a distinct gain, for every manufacturer knows the advantage of long, straight runs on one uniform product. This advantage is greater in some lines than others. In textile production it is a marked saving to have a big run of one pattern on a loom, but the advantage is considerable in any factory. This result, from advertising a speciality, is a distinct by-profit that must not be lost sight of.

Neither should it be overlooked that the efficient advertising of one product of a group turned out by the same manufacturer tends inevitably to advance the saleability of the others. If the unadvertised lines find distribution through the same trade as does the advertised line, the accruing benefit is usually considerable; and also trade distribution of new lines is increasingly easy and rapid in proportion to the ready sale of the advertised goods.

Consumer advertising, in addition to developing a popular demand for a sound article, has an immense and ever increasing influence upon the middleman. This is proved by the frequent immediate increase of orders from the trade as soon as a strong advertising campaign is begun, and before it can possibly have had time to increase to any extent a demand for the goods from the public. All wide-awake tradesmen have come to know that courageous and efficient advertising will result in a demand for the goods advertised, and no up-to-date distributor can afford to tell his customers that popular goods are not carried in stock. Therefore the trade may be depended upon to anticipate increased demand for an efficiently advertised article offered by a responsible house, particularly if it is something of distinct character, and almost certainly if it is a line already in stock.

<sup>1</sup> Advertising makes goods known to the consumer; it

<sup>1</sup> *Advertising—its Principles and Practice.*



makes more goods known to him, and it familiarizes him with the various commodities in such a way that he becomes a greater buyer, a more discriminating buyer, and a critic of goods and the advertised service of those goods.

The consumer, therefore, requires of the dealer things which he did not formerly demand. His knowledge makes it necessary for the dealer to carry the stock the consumer asks for, instead of using his own judgment upon its value. The consumer, by asking for certain brands, makes less claim upon the dealer's time, because of the fact that his mind is already made up, and he demands only the delivery of his purchase. Further, the consumer, learning from the advertising of the many uses for the product, buys more of it, and therefore his individual purchases from the dealer are increased, and stock turns over with greater speed.

To the manufacturer the value of advertising is simply its value to the consumer, dealer, jobber, and salesman.

The value to the consumer is in stability of quality, increased convenience and service. The value to the retailer is in increased turn-over and decreased selling expense. The jobber values are the same, although he recognizes them least of any distributor, and would like to hold in his hand the brands which control the market. The manufacturer's advantage comes in increased market, secured without a proportional increase in expense.

Of course the possibility of securing all these benefits depends upon the proper use of advertising, and it is by no means a general or a necessary accompaniment to the use of the force.

Steam, as such, has within it the power to do all the things to which it has been harnessed, but without the engine and other equipment that power would remain useless, and the value of the power secured is in direct proportion to the efficiency of the equipment used in harnessing the steam.

Advertising is a power—the power of publicity—and the value it will bring to any commercial organization depends entirely upon the way in which it is harnessed to do the work, and the value of the equipment to which it has been tied.

The above economic advantages of the use of advertising in business represent simply what is possible to secure, with the present equipment, if the equipment be properly used. There is little doubt that the future will see a vast improvement in advertising and increased value derived from it.

As the writer just quoted says, the future holds bigger advertising possibilities than the present; but efficient and well-considered advertising is now admitted by a steadily increasing group of manufacturers to be the best means of reducing the enormous selling expense which modern competitive methods have developed, and is already proved to be the logical solution of the problem.

The strongest incentive to the public to adhere to the purchase of an advertised line of goods is the knowledge that the maker of those goods has sufficient confidence in them to put his name or mark upon them, and to invest money in advertising them, and that his guarantee of quality follows the goods wherever they go; therefore one important function of advertising is to guarantee the quality of product. This is a creative force in advertising that develops a state of value apart from price. Hence no manufacturer can afford to spend money on advertising and at the same time permit of any fluctuation in quality. This the public has come to know, and, as a result, even mediocre and inefficient advertising may, and frequently does, result in very great increase of demand. Mere size, frequency and weight of display creates the idea of confidence in the goods, and may be relied upon to develop sales. If inefficient and ill-considered advertising (by far

the larger part at the present time) can and does accomplish so much, what may one not expect when real efficiency is injected into it?

If the advertising and distribution of the goods are successfully accomplished the manufacturer's increased profit from his enterprise is not an increased price which he exacts from the consumer, but rather his savings in the making and distributing of an increased quantity of the goods.

By employing powerful psychological forces in the form of mental suggestion, advertising creates habits of thought on the part of the public, and advances the standard of living to include as necessities articles which were formerly regarded as luxuries.

Consumer advertising must not be regarded as the mere spending of money in magazines, newspapers, on bill boards or otherwise; but as an economical method for influencing the public to a definite, favourable action toward the purchase of a certain article, or the use of a certain service.

The display of mere words and commonplace phrases is an expensive and rudimentary form of advertising. In its highest form advertising is the vivid presentation of a living message that creates favourable public action by resistless appeal to purchase, and adds to the popular value of the article advertised by creating around it an atmosphere of distinction.

In advertising, ideas are paramount. It is a service rather than a tangible thing consisting of types, paper, billboards, etc., which are only the tools for accomplishing the paramount idea. The mastery of mind over mind is the real purpose of advertising.

A knowledge of means and method to effect this desired result is more difficult to attain than is a technical knowledge of the article being advertised. A knowledge of goods or service offered for sale can readily be acquired by one trained to such study; but psychology, here con-

sidered as the phenomena of consciousness, and the reaction upon it of any prescribed advertising stimuli, is something far more delicate and more difficult to apprehend, to gauge and manipulate, than is the most intricate material thing.

Advertising is the manipulation of individual consciousness to a desired end, by operating upon the aggregate or mass consciousness of the public. It demands requisite knowledge and experience to ensure its efficiency. This explains why successful manufacturers are so often poor advertisers—their minds are necessarily absorbed in the production of goods, in trade conditions and relations, to the exclusion of the necessary knowledge and experience in determining method and means of appeal to the public to ensure adequate return for advertising expenditure.

Not only must the argument or reason for purchase be efficient in form and substance, but the eye-appeal, or display, must also be calculated to grip the attention of wandering and inattentive minds. To this end, art must ever be the handmaiden of logic in successful advertising. She must not flaunt herself to the humiliation of the real purpose, which is to etch upon public opinion an immediate favourable impression; and, by continued repetition of the process, to grave it so deep that it becomes a permanent idea steadily operating as a distinct bias in favour of the goods advertised.

In an address upon Art as related to Advertising, delivered to the Graphic Arts Club of New York, Ernest Elmo Calkins is reported to have expressed himself as follows—

“Advertising should not be commonplace, and one of the first tendencies of the ignorant and unschooled is commonplace.

“It requires brains, intelligence, genius, and taste to be different and original, and all these things arise from a study of the graphic processes so as to use them in new and unusual but attractive and effective ways.

"We go so slowly in this work because the advertiser is always holding back. The advertiser is like a chip floating down stream. He goes with the current, but not so fast as the current. He is constantly sticking on sand-bars and pebbles and projections, and has to be washed loose and floated on his way again. Instead, if he were shrewd, he would be a little ahead of the current, waiting for the crowd to catch up, anticipating and doing the things they are going to do later on.

"But the man who pays the bills and, therefore, buys the advertising, too often lacks imagination. A great many of him are in the class with old Adam Babbage, the inventor of a calculating machine, which was probably the great-grandfather of all the adding machines of to-day.

"When Alfred Tennyson and Adam Babbage were both young, Tennyson wrote a poem, 'The Vision of Sin.'

"Babbage wrote to Tennyson somewhat as follows—

"DEAR SIR,

"In your otherwise beautiful poem, 'The Vision of Sin,' there is a verse which reads—

"Every moment dies a man,  
Every moment one is born."

"It must be manifest that if this were true, the population of the world would be at a standstill. In truth, the ratio of birth is slightly in excess of that of death.

"I would suggest that in the next issue of your poem you have it read—

"Every moment dies a man  
Every moment  $1\frac{1}{16}$  is born."

"Strictly speaking, it is not  $1\frac{1}{16}$ . The actual figure is a decimal so long that I cannot get it in the line, but I believe  $1\frac{1}{16}$  will be sufficiently accurate for poetry.

"I am yours very truly,

"ADAM BABBAGE."

“Here you have the unimaginative advertiser whose literal-mindedness prevents him from using all the great possibilities of original colour schemes, unusual designs and arrangements of lettering, effective type displays, right printing on the right kind of paper, and all the other aids offered by the graphic arts to make advertising effective.”

In the above quotation Mr. Calkins has given expression to a most important principle of efficient advertising. Imagination, which is the root from which springs all originality, is a huge factor in all business success; but it is the prime factor in advertising, in which the commonplace and the obvious are the most common sources of inefficiency.

The public, including middlemen, obtains its opinion of the goods, and of their manufacturer, through the medium of the sales and advertising departments as expressed in salesmen and in labels and cartons, in advertisements in the newspapers, posters on the bill boards, shop signs, catalogues, circulars, stationery, etc.

It is, therefore, essential that the manufacturer's interests be adequately represented in every department of the selling end of his business, that middlemen and public, in whom the good-will of the business exists, receive a right and proper conception of the goods produced, and the character of organization behind them.

The fact that the responsible manufacturer puts a distinguishing name or brand on an article of commerce, and spends money to advertise it, which is the first essential of modern trading, is sufficient evidence to the middleman, as it is to the public, that the quality of the article is sound.

No one of experience, under any circumstance, would spend money in advertising anything unless it were good and satisfactory. No one can afford to advertise a thing which in use would be unsatisfactory, because the

principal value of advertising, such as is here under consideration, is in building up its permanent good-will, which is the good opinion of its consuming public.

True, there occasionally comes along a novelty or frivolity which meets with an ephemeral success and justifies more or less advertising. Again, downright swindles may be temporarily perpetrated by irresponsible advertisers; but here we are not dealing with either the light or dark side of business, but only with legitimate commercial enterprise based upon sound commercial opportunity.

To trade-mark a bad piece of goods is to afford positive identification to permit a dissatisfied public to avoid it for all time to come, and is equivalent to commercial suicide.

"An article of merchandise without a trade-mark is like a mule—without pride of ancestry or hope of posterity," and a trade-marked article, behind which the manufacturer has not sufficient confidence to put advertising, and a genuine guarantee of satisfaction, is a dishonoured and disinherited changeling, a burden upon the trade and the public—a hopeless commercial undertaking.

It is only by branding goods, and advertising them, that a manufacturer can create a valuable good-will for his business. Indeed, by no other means may he really own his business. Only by this means can he establish his own price, and maintain the quality of his products, at the same time profitably increasing his sales. The good-will of the business does not principally consist of established trade relations, but exists in the public demand for the goods.

The good-will of the consumer is as necessary to the manufacturer as is the good-will of the voter to the political candidate. Trades, deals, and purchase of influence may temporarily keep a politician in office, and merchandise on sale, but public confidence is the only permanent basis of success for either the one or the other.

In the old "days in politics" days one could buy his way into office, but those days are past. So also is the time past when a manufacturer could break his way into a market without the good-will of the consumer. Lack of appreciation of this change results in many hopeless attempts to achieve success by years of unremitting effort. The consumer is the voter who decides success or failure—it is "thumbs up" or "thumbs down" with him. A manufacturer must be as unremitting in cultivating him as is the politician in cultivating his constituent.<sup>1</sup>

America's new-school manufacturer is going to study this question of efficiency in salesmanship more and more. He is at last going to realize what many have already learned, that no great business, in these days, can be established or maintained except by efficient sales methods which include efficient advertising, pivoted upon sound goods attractively turned out and conspicuously branded.

*He will make the consumer pay for the advertising by making the advertising pay the consumer.*

Every failure of advertising to reduce the selling cost of a saleable and properly distributed commodity is the result of its inefficient application. The law of manipulation of demand is as certain as is the law of gravitation.

The problem to be solved is that of efficiency. Inefficient advertising, just as inefficient salesmanship of any other character, does add to the cost of goods, and is a questionable factor of trade success; but efficient advertising provides for a reduction in the price of goods to the public and an increased profit to the manufacturer, by reason of increased sales based on a decreased ratio of production and selling cost.

Many a manufacturer has turned to advertising only as a "last resort" to save a tottering business from complete collapse—and some have succeeded. But the

<sup>1</sup> See Chapter X—"Advertising the Superior Sources of Good-will."



success or failure of such desperate experiment is not the measure of the sales-power inherent in efficient advertising. Nor is it fair to expect "Advertising" to romp home a winner under the crushing weight of a stolid jockey who cannot ride properly, or keep his mount eager and under control; who carries on his back a huge pack of obsolete production and sales policy and method; and who possesses neither the experience nor the genius to properly organize and co-ordinate the various functions of his business. These handicaps are the probable cause of the lack of continued success of a declining business, and to expect advertising to pull against all this drag of incompetence is to credit it with some magical potency that it does not possess.

Most failures to achieve advertising success are due to an ignorance of its limitations, which results in its inefficient application. Much of the carelessness displayed in the use of advertising is due to a vain imagining that it will succeed in some miraculous manner, regardless of how it is done.

Advertising should not be regarded as an emergency policy to be applied only when a business is sinking into a state of coma, as oxygen is administered at moments of collapse, but as a tonic and food to develop a firmer grip, a stronger pulse, and general commercial well-being. Among those who have discovered what advertising can do and cannot do, the question is only one of *how* to advertise, not *why*.

Those who wait until forced to advertise by the unrelenting pressure of adverse circumstances run a very great risk. The sooner a manufacturer gets into training for the great "Endurance Marathon," soon to begin, the better he will be in form, the sounder in wind, the surer-footed, and the stronger-hearted he will find himself when the emergency arises. Nothing is more certain than that obsolete methods of trade must be thrown upon the scrap-heap, and modern methods of intensified selling

substituted for those hoary old traditions, policies, and practices that are amply proven to be outworn and outgrown. Whether the manufacturer likes it or not, he will find that any open-eyed and open-minded investigation of the factors of present-day selling success will disclose that the consumer is the corner-stone of the new commercial structure now arising upon the foundations of bygone days, and that advertising offers the only practical solution of the problem of enlisting the good opinion of the consumer in his enterprise.

Those manufacturers who have discovered the power of public demand, which comes from efficient advertising to the consumer, are the ones who are not merely maintaining themselves in the market, but who stand out from their less modern and therefore less progressive competitors as examples of exceptional success.

Let no manufacturer fail to understand, nor let him ever forget, that *sales costs decline in proportion to advancing reputation*; that the function of advertising is to enhance the reputation of the goods to which it is applied, and that its efficiency of application is measured by the suction of demand that results from it.

The function of advertising is not only to reduce the cost of selling, and to increase the sale of goods, but it is also an efficient force for increasing the use of Public Services, and thus reducing their cost. Such reduction of cost is expressed in increased profit, or lower selling price, or in increased quality or efficiency of the service rendered.

The wide extension of the use of gas, and, later, of electricity, for cooking, and for other domestic purposes, in this country, is a notable example of what can be done in this direction. By judicious and persistent advertising the public service companies which sell gas and electricity have educated the public to use them in a variety of ways remote from their original use. This has resulted not only in a greatly increased use of gas and electricity,

but in an economic saving of labour that cannot be computed.

The best example of the efficient application of advertising to a public service is the steady propaganda carried out by the American Telephone and Telegraph Company. This is the most gigantic system of telephones in the world. No less than 9,000,000 'phones are in operation. Besides such colossal figures the telephone systems of Europe are insignificant.

Here is an illuminating example of the efficiency of private enterprise controlling a public utility. The American private-owned telephone system is not only more extensive and popular, but also of distinctly superior service to the smaller European systems. The price of service is low in comparison with other living costs in America, and the quality of service is the highest in the world. Here, as in manufacturing, efficiency of production or maintenance, combined with efficient advertising to develop an expanding public good opinion, or good-will, has resulted in exceptional success.

By systematic advertising the use of the telephone has been enormously extended, with the result that this one huge system reaches more towns throughout the entire United States than there are post offices. It has been pushed out into country places until it includes as many *rural* telephones as there are telephones of *all kinds* in Great Britain, France, and Germany combined.

Towns, or localities, possessing special health and recreation advantages have profitably employed advertising to develop increased patronage, but there is still much to be desired in the majority of their publicity schemes. Too often, local pride leads the advertising promoter to an exaggeration of claim and statement that is bound, in the long run, to have an unfavourable reaction.

It also has been demonstrated that advertising may

be profitably applied to the systematic industrial development of commercial and manufacturing towns. Factory site advantages, skilled labour advantages, and transport advantages, all can be marshalled in advertising; health and educational advantages, municipal enterprise, and social, esthetic, and housing advantages, may also be made to contribute to the combined advantage of a locality for establishing manufacturing or other business. This should not be lost sight of by municipalities that have increased their manufacturing power and plant, and developed increased skilled labour, as a result of munition or other war necessity.

It must be admitted that advertising has now been proved, "up to the hilt," to be a practical and efficient means for securing public attention, and for crystallizing public opinion in favour of every possible object, cause, and purpose. It is the most efficient method for promoting widespread interest in any subject, and undoubtedly will be utilized more and more for social and political propaganda, for advancing all matters of general or municipal interest, and the promotion of philanthropic and religious societies. Its chief commercial value, however, lies in its inherent power to effect a reduction in the selling cost of commodities of general consumption; to develop demand, and to create good-will.

Prompt and thorough consideration should now be given to the efficient employment of this distinctly modern cost-reducing method of selling. It should be extended to include a wide range of industries to which it never has been applied, and also to many lines of trade to which it has been applied only in a loose, half-hearted, and inefficient manner. No other factor of selling, at the present time, needs such acute accentuation.

## CHAPTER IX

### HOW TO DO IT BETTER

IN the foregoing pages I hope I have sufficiently demonstrated the necessity for an intelligent application of efficient advertising to the sale of anything that finds its ultimate use among a large public, or even a small public distributed over a considerable area.

I have also indicated in general terms the methods to be employed. It is desirable, in a book of this character, to attempt to explain in detail the actual process of carrying out an advertising campaign. There is no royal road to successful advertising; no cut and dried policy or method to be pursued. There are, however, many established principles to be applied. There is also a mass of accumulated data upon which a forward policy may be intelligently established. Ignorance of these known principles, and of these valuable data, necessarily leads to amateurish and wasteful inefficiency.

Advertising must be treated in the very same way as personal salesmanship: applied and modified to suit each separate article, and each existing and arising condition.

Hygiene is that branch of the science of medicine which relates to the preservation and improvement of health, rather than to the cure of disease. It is strangely analogous to advertising. Neither is an exact science.

A vast amount of hygienic knowledge has been standardized. It deals with something that is not claimed to be fully understood. Health is a condition of bodily efficiency; a state in which all the functions of a living

organism are performed efficiently. The most that hygiene can do is to employ certain reagents that have been discovered to produce certain reactions under both favourable and unfavourable existing conditions, or to safeguard or improve future conditions.

Hygiene is a very modern science. New and valuable discoveries are constantly being made, and old theories and methods uprooted. Theory and practice are ever in a state of revolution and evolution.

No hygienist of eminence permits himself to accept anything as a finality; in his laboratory he continually labours to "do it better." Yet it will be admitted that his knowledge of bacteria, of physiology, causation and symptoms of abnormal conditions, and the ascertained result of known remedial or developing agents, qualifies him to render expert assistance in the event of danger from infection, and for improving existing and future sanitary or health conditions. We also know that hygienists differ one from another in knowledge and efficiency as do the stars in their magnitude. We are well aware that those endowed with greatest genius and possessing the most profound knowledge and greatest experience are safer guides to improved living conditions, and will contribute to a better state of health—present and future—than dull or unschooled and inexperienced practitioners.

Advertising, like hygiene, is a modern science. It also deals with something intangible—personality, individuality, temperament; human habits and prejudices, hopes and fears; pride, ambition, sympathy, vanity. All that goes to make up a loving, hating, fighting, serving human being, is the foundation upon which it rests. It must be continually readjusted to meet changing social, economic, and trading conditions. It must always take into account the eternal but fluctuating fact of competition.

No one can lay down exact laws or rules governing

human emotions, nor can one anticipate all the changing factors of trade, as they relate to advertising; but a big start has been made in intelligently employing certain stimuli, that, like the hygienist reagents, have been discovered to produce certain desired reactions. Advertising science is of proved efficiency to safeguard or improve existing and future favourable and unfavourable trade conditions.

New and valuable discoveries in advertising are continually being made, and old theories uprooted. Theory and practice are ever in a state of revolution and evolution.

No qualified advertising man will accept anything as a finality. He, like the qualified student of hygiene, will never claim infallibility. It is only the advertising quack, like the medical quack, who is rich in promises, but fatal in practice.

Here we discover a perfect analogy, and it leads to a parallel conclusion: and that is—that the advertising man who knows most about advertising is the safest guide to advertising success.

He, like the qualified hygienist, is best able to diagnose the case and render valuable assistance. No advertising practitioner is safe counsel unless he has had a thorough education, and extensive experience and knowledge of symptoms or abnormal conditions, and of the logical result of such remedial or developing agents as he suggests employing. Like hygienists, advertising experts differ one from another in quality and efficiency—as do the stars in their magnitude. The advertising expert who is endowed with the greatest genius, and possesses the most profound knowledge and experience, is a safer guide in developing “sanitary,” “infection-proof” selling conditions than is the dull or unschooled or inexperienced advertising practitioner. The infectious germs of ineptitude are for ever lurking about the selling department. Defence against the contagion of inefficiency, and the successful inoculation with efficiency germs, and the proper

sanitation of infected trade areas, require the most expert selling and advertising talent available.

But an advertiser never need expect efficient assistance from any advertising expert, no matter what his genius or organized experience may be, unless sufficient opportunity is given him to study and diagnose "the case." All the conditions or "symptoms" must be considered before any valuable service or advice can be offered: as well expect a physician to advise and prescribe without diagnosis.

The utility of this great analogy lies in the supreme necessity for eliminating, as far as possible, all factors of failure in selling policy and method, and in emphasizing the importance of securing the most efficient counsel and assistance obtainable, to effect such elimination, and to ensure maximum benefit in increased sales at a profit.

Beware of Specialists! We have all heard of the man who fell into the hands of the surgeon with a mania for operating for appendicitis, and who had to submit to an immediate operation, although he had previously had his offending appendix removed. Before operation for appendicitis it is well to be fully advised that one is indeed afflicted with a rebellious appendix, for the specialist who is addicted to one phase of his science is prone to discover his hobby lurking in the background of every case presented.

It is the qualified general practitioner who should first be consulted. If he discovers the presence of some mal-condition too serious for his experience to remedy, then is the time to consult a specialist.

I dwell upon this point because many a business is subjected to needless "operations," and its development delayed for lack of intelligent diagnosis. Manufacturers rely too much upon themselves and upon specialists. The printer will tell them the trouble is all due to the lack of a catalogue, or additional booklet, etc.; the press-



agent, that what is needed is press advertising; the copy-writer cries "copy"; the bill-poster will prescribe a poster pill; the sign-man is certain that what is required is a big dose of 'buses or street cars or railway stations; the office or factory expert suggests inside organization and the sales expert demands outside organization.

There is one marked difference in the application of acquired knowledge to bodily conditions and to selling conditions. In a diet, or medical treatment, it is permissible to advise identical foods or remedies to meet identical conditions, subject to possible modifications to meet individual complications, but in advertising it has been amply demonstrated that originality of treatment is one of the important factors of successful result.

The advertiser who slavishly copies the methods of another is enormously discounting the value of his expenditure. The trader and the consumer are quick to detect similarities in method, and to resent them. Successful advertising, therefore, may only utilize ascertained principles, but never established methods, as already expressed in exact forms and practice by others. This demands continual invention in scheme and copy, and a strict censorship of other advertisers' expressed ideas.

What is urgently needed in advertising is a correct perspective. This is why the services of a trained, experienced, general advertising practitioner are invaluable, both in diagnosis and prescription. The most capable of advertisers or their managers upon the permanent staff have a too intimate and interior point of view always to be able to determine when or where the treatment can best be applied, and the most efficient means to be employed; they are sure to have well-developed prejudices. It is too much like doctoring one's self.

A really eminent doctor rarely prescribes for himself, and, indeed, often calls in a brother practitioner to treat his family. Why, then, should an advertiser consider it unnecessary to call in outside expert advice upon a subject

so delicate, intricate, and of such prime importance as advertising? The fact of the matter is, no one knows as much about it as he should. There is no danger of getting too much expert opinion, but there is a serious danger in being satisfied with amateur or biased diagnosis and treatment.

I have said: "Beware of specialists." It is sound advice, as any one will agree after consideration. The point of my contention is not that the specialist knows too much about his particular panacea, but that he knows too little about the other vital factors of the problem.

A most eminent medical specialist once told me that no doctor should specialize upon any disease until he had at least twenty-five years of general practice. Otherwise he would continually blunder in applying his expert knowledge. He must first be grounded in pathology. The same might truthfully be said of advertising.

What is required in advertising is not individual amateur or biased advice, but organized efficiency and co-ordination of effort based upon considered judgment.

If an advertiser could get in touch with a thoroughly efficient advisory Advertising Board that could be given the necessary opportunity to study the "case," and to assist in applying the necessary "treatment," then advertising for that concern would be a systematic and co-ordinated effort with the least possible danger of malappropriation or misapplication, with greatest possible guarantee of profitable result.

Such a Board, to be efficient, would consist of specialists in every branch of advertising. They would not be independent units, each contending for the utilization of his particular part of expert advertising knowledge; but the opinion of the whole Board would be expressed through a single, experienced, governing mind, whose advice would be unbiased by any taint of narrow-mindedness or selfish interest; for the organization that he represents would benefit equally by any or all adver-

tising methods that might properly and efficiently be employed.

An organization of this character would bring to the advertiser all the knowledge and experience included in the group of experts represented, plus the knowledge and experience in diagnosis and treatment possessed by the controlling factor in the organization. It would afford the new advertiser every advantage of experience in efficiently applying advertising to his business, in coordinating all advertising effort, and, as need arose, guide him in organizing an interior advertising staff to permit increasingly efficient co-operation with such Board.

To the established advertiser, with his own well-organized staff, it would bring a new touch of individuality and a broader experience than can be possibly gained in marketing through one line of trade; it would multiply his existing unit of advertising knowledge by whatever talent and knowledge such Board possessed; it would stimulate the interior service to increased efficiency; it would greatly broaden the base of security of method employed; it would develop originality, and the power of all advertising expenditure would be increased—and that way lies economy and satisfactory result.

In short, such a co-operative Board, working on well-established lines of proved efficiency, would supplement and strengthen the advertising or selling side of any business, large or small, with which it shared responsibility, by just that amount of talent and experience represented by its total organized efficiency, as measured by its past achievements, and its power to apply its genius and accumulated knowledge and experience to the business in hand.

It may come as a surprise to many advertisers to read that organizations of this kind, at least approximating to this ideal standard, are to be found. Such lack of advertising agency efficiency as exists is due to the failure of advertisers to exact a higher standard of

service. As all nations have a government as wise and efficient as they deserve to have—because they alone are responsible for their own form and quality of government; so advertisers have just as wise and efficient advertising agency service as they deserve—because they alone are responsible for the existing standard of service.

Too few advertisers have a sufficiently high standard, and only a part of these know how to secure the best available service from an advertising agency. Only those of high advertising ideals, and who appreciate and practise the necessary co-operation with their advertising agents, and yet fall short of efficiency in their advertising, have any valid reason to complain. Their duty to themselves requires that they stop complaining, and take steps toward better co-operation with their agents, or, if the agent is really lacking in efficiency, to find the agency that can render them the desired service. But these enterprising advertisers are the few. The many do not know what is needed, and, worse still, may refuse to admit that any one can help them to arrive at any adequate solution of their advertising problems. Among this class are most of those who assert that advertising does not pay.

It is well known among efficient advertising service agents that their most valuable co-operation is with advertisers possessing efficient interior advertising and selling organization; and that advertising and sales managers of outstandingly important and successful concerns, those upon whom the greatest burden of responsibility is placed, are most emphatic in their appreciation of the assistance rendered by the efficient advertising agency. It is the small-minded manager, as it is the small-minded advertiser, who assumes to know all there is to be known, or prefers to learn only by hard and costly experience.

There are hosts of incompetent advertising agents, and there are those as efficient in their work as is any doctor

or lawyer or manufacturer in his vocation ; but it is futile to inquire if an advertising agent is an advantage to an advertiser until we have our definition of an advertising agent and of an advertiser.

Suppose we let  $X$  equal an advertiser and  $Y$  an agent, for they each represent some plus or minus advertising value. We can work out all sorts of algebraic equations with these unknown quantities, and will always have an unknown result. We possibly can find both advertisers and agents ranging from near 100 per cent. efficiency to distinct minus value. We may add the agent  $Y$  to the advertiser  $X$ , and we have the unknown quantity  $X + Y$ . Suppose the agent is a —  $Y$  and the advertiser a +  $X$ , then their united value will be the difference between their individual values, or  $X - Y$ . Or reverse the proposition: a plus agent added to a minus advertiser also represents a united value indicated by their difference in respective values, or  $Y - X$ .

But if we add a plus agent to a plus advertiser the sum of their respective values will be the combined value of the co-operative effort of the two factors working in harmony and represented by  $X + Y$ . It is obvious that what of value either one brings to the proposition is necessarily represented in the total sum of their united effort.

Advertising is not on trial. It has been proved to be the only modern means for building up and sustaining a business, dealing with masses of consumers, at a constantly decreasing ratio of sales cost. The only problem to be solved is its most efficient application, and this requires the best obtainable talent, and soundest experience.

Existing and future trade conditions require constantly increased efficiency in sales methods, because sales cost must be reduced. The only known method of reducing sales cost is that of securing the good-will of the consumer. The only way to secure his good-will is by advertising: therefore Do-It-Better Salesmanship demands Do-It-

Better Advertising; and this in turn demands the best advertising talent and organization obtainable, be it in the house department, in the advertising agency, or be it the combination of these two prime factors of advertising success working in harmonious co-operation.

## CHAPTER X

### ADVERTISING THE SUPERIOR SOURCE OF GOOD-WILL

IF I have succeeded in establishing the truth of the cost-reducing power of advertising when efficiently applied, then the corollary of the proposition emerges in the additional fact that advertising is a source of good-will. And as good-will is a source of income, it must follow that expenditure for efficient advertising should not be treated as a mere expense item, but as an investment.

The method of book-keeping to be employed in recording all such investments, and how they should be dealt with in the balance sheets of a business, it is not my present purpose to discuss. Much less is it my intention to plead for any stereotyped book-keeping formula. If I can, in any degree, demonstrate that advertising expenditure is entitled to be considered a profitable source of permanent good-will, I shall be satisfied.

It really makes no difference in what account the result of a profitable transaction is recorded, the business is benefited by it just the same. An error in accounts will throw the books out of balance, but it will not throw the business out of balance. Book-keeping makes neither assets nor liabilities. Correct accountancy only presents a truthful history of a business.

The temperament of a Board of Directors is reflected in the items and values admitted into inventory. An optimistic, aggressive, enterprising, progressive Board will put the accent on good-will, or business momentum; for good-will, or sales advantage, is an item that need

never depreciate. If properly protected by efficient means, its future is guaranteed. Such a Board will ruthlessly write down buildings, machines, etc., because it will assume that superior tools of production will soon be forthcoming, and that all these material things will sooner or later be scrapped to make way for new and more efficient tools.

On the other hand, the pessimistic, timid, indolent, reactionary Board sees nothing ahead. To such, good-will is an intangible and, therefore, unsafe asset, and is entitled to very little respect or value. But such a Board, year after year, sees practically undiminished value in old and unsuitable works that are, in truth, a liability upon the business because of original faults of construction, location, and inherent inefficiency, multiplied by use and abuse until unfit for the purpose used. Old and obsolete machines also are perpetuated with paternal affection, and, year after year, muster in the inventory, long after they have ceased to be anything but a perilous liability, because they are a constant menace to efficient production.

It is, perhaps, fortunate that this type of Board attaches but slight value to good-will. If it were to superimpose even actual good-will value on top of its inflated equipment inventory, its balance sheet would, indeed, be a thing to shy at.

The sales manager is the one who best appreciates good-will, and who can best measure its value. He discovers it to exist in the suction of demand for the goods he sells—in the pull of the consumer's favourable opinion, as measured by the extent, profit, and frequency of the orders received from the trade.

The sales manager cares not a rap to what accounts the auditor finally debits and credits the expenditure that produces this suction, but the harder it sucks the easier, faster, and more profitable is his salesmanship. This is an established law—as certain in its result as is gravitation: *Sales cost decreases in proportion as reputation increases.*



When it is understood that marketing costs, in general, average more than manufacturing costs, staples included, and when it is further understood that the consumer's good-will, or suction of demand, is the only existing logical means of reducing this colossal burden, and, finally, when it is understood that advertising is the only known means of economically developing and maintaining this steady, permanent suction, or good-will, in any large way and over any considerable area—when all this comes to be better understood, all doubt of the power of efficient advertising to create good-will will cease.

I predict that the exact percentage of advertising expenditure that may properly be credited in the balance sheet to good-will account can never be accurately estimated in advance. Certainly it will for ever remain a varying percentage in various classes of business, and it also will remain a varying percentage with respect to the degree of efficiency of the advertising in any specified class. It, however, can be approximately measured by its cumulative effect upon sales over a considerable period in the history of any business.

There are still many manufacturers who consider advertising a tax which must be super-added to existing selling costs. This has been proved to be a fallacy. Instances are multiplying wherein the application of efficient advertising to an existing business reduces selling costs. The nineteenth-century idea that the cost of advertising has to be added to existing selling costs is absolutely and completely disproved. If efficiently applied, it is returned in decreased selling and production cost—and results in increased profit, or lower price, or better quality.

In any consideration of advertising and its relation to any business, it should always be borne in mind that all selling processes, including personal salesmanship, are, in fact, advertising; but be it remembered that here and now we are primarily considering that part of advertising

which bears directly upon the consumer, as distinguished from that directed toward the dealer.

Consumer advertising, as it relates to an established, healthy, non-advertised business, may be an added investment in an improved fertilizer, or merely the investment of money formerly expended in intense trade development; a more modern and, if efficiently done, a more permanent security, and one paying a higher rate of return. If applied to a new business, or to a diminishing or moribund business, it is an investment in tonic or nutriment to stimulate growth, or to re-vitalize the red corpuscles of the business, to re-invigorate the heart-action, and so to develop a more efficient pulse-beat in the sales department. As to the comparative safety of these investments, the good-will of consumers, contrasted with the good-will of middlemen, is equivalent to a Government Bond in comparison with a promissory note of hand.

Here are four actual manufacturers of "staples" in the same line of business, with their annual consumer advertising expenditure, and their ratio of Sales Department cost to turn-over. They are given in the order of their annual advertising expenditure, and also in the order of the length of time each has been advertising—

	Amount of Consumer Advertising.	Sales Department <sup>1</sup> Cost on Turn-over.
A	\$65,000	2 to 3 per cent.
B	49,000	4 per cent.
C	29,000	6    "
D	24,000	7    "

These are all large, competing companies possessing manufacturing facilities of approximately equal efficiency, but not of equal extent. It will be noted that the firm that is spending the most for consumer advertising, and that has been spending it for the longest time, shows the lowest trade selling cost. This concern, as would

<sup>1</sup>This represents the cost of maintaining sales department.

naturally be expected, also enjoys the advantage of the largest turn-over. All the figures indicate that the less spent in advertising and the shorter the period of the advertising, the higher the trade selling cost. This is a powerful object lesson showing the economy of advertising. It also emphasizes the value of the cumulative effect of continued advertising.

All selling cost is, in fact, advertising cost, but in the above comparisons advertising is taken to be only that part of selling cost which relates to consumer salesmanship in publications, as distinguished from the advertising cost resulting from personal and other trade salesmanship.

Examples of this sort could be multiplied if results could be made public, but enough is known on the subject to indicate that it is high time for manufacturers to begin to study this side of their problem as closely as they have learned to study the manufacturing side.

To emphasize the fact that money efficiently employed in advertising is not a mere expense item to be written off along with rates and taxes and labour and material, let us consider the above items with especial reference to the good-will value of the expenditure indicated.

The good-will of any business is that accumulated selling force, of whatsoever character, that tends to reduce the selling cost of service or goods. The extent of such good-will is to be measured only by the increase of the percentage of net profit, plus indicated future earning power, measured by sales momentum, at one period, as compared with some previous period, or with some other business of similar nature.

Increased efficiency in selling may be counter-balanced or defeated by decreased efficiency in production, or increased efficiency in production may be nullified by inefficient selling methods. Acquired good-will, by either the one or the other of these means, may thus be slowly or rapidly drained away, and selling costs and production costs increased. When the point is reached where all

profit is absorbed by increased selling cost and production cost, good-will has ceased to exist, and when these combined costs exceed price received the business becomes a liability instead of an asset.

In developing good-will we are putting momentum into a business: we are increasing the size, weight, and speed of the fly-wheel upon which we depend to carry us over the difficult localities and periods of trade, and in which we are storing up increasing power and accelerated speed. The size, weight, and speed of the fly-wheel, or good-will, of a business is measured by cost of selling.

Referring now to the above figures—

"A" represents a concern with a turn-over of about \$15,000,000. As stated, advertising amounts to \$85,000. This item is for periodical advertising alone. Other subsidiary advertising items may be estimated at \$40,000, making a total of \$125,000 for all advertising outside the charge of the trade sales department. This last item is given at two to three per cent.; taken at two and a half per cent., it amounts to \$375,000, reckoned on a \$15,000,000 turn-over. We can, therefore, safely take the *Total Sales Expenses* at \$500,000, which is the sum of \$125,000 for consumer and subsidiary advertising, plus \$375,000 for direct trade salesmanship. This is equivalent to three and one-third per cent. upon the stated turn-over.

That three and one-third per cent. is an extremely low cost for maintaining an expanding business is certain. Indeed, we find that "B," the second in our exhibit, spends four per cent. for trade sales department alone, in addition to periodical advertising; while "C" spends six per cent. and "D" seven per cent. for this single item, to which, in all three cases, must be added amounts spent for subsidiary advertising.

Manufacturers in the same line of trade who do not advertise, but depend entirely upon trade salesmanship, spend all the way from six to nine per cent. It also must be noticed that these latter, because they are not building

up a consumer's expanding good-will, are not acquiring that selling momentum that may safely be depended upon to reduce their future selling costs. For the reason that their selling costs are high, in comparison with the advertised lines, it cannot be safely assumed that they are developing the increasing turn-over necessary to ensure a decreasing cost in production that will enable them to meet advertised prices. Their comparatively high selling costs, therefore, may safely be relied upon to check any important development, unless capital is heavily invested in more efficient selling effort to arrive at a parity, or better, with advertised competition, with respect to selling cost and turn-over. Any such enterprise must include consumer advertising sufficient to over-ride existing competitive advertising. Possession of the advertising field is a big advantage, if "defences" are efficiently maintained.

Our example demonstrates that continual and increasing advertising steadily brings down selling costs. The further fact that "A," who has advertised for the longest period, and who spends the largest amount *per annum*, is also the largest producer, indicates that he enjoys a declining ratio of production cost as well as of selling cost, applied to an increasing turn-over, which, I may add, is the logical result of efficiently applied advertising to any sound business.

This expanding turn-over, and contracting cost, is the measure of the good-will of a business. Money invested in developing a larger, heavier, and higher-speed sales fly-wheel to ensure the necessary selling momentum to accomplish these results, is as certainly an investment, and no more an item of expense, than is an investment for the actual fly-wheel upon the engine that supplies the factory power.

To further demonstrate the investment value of advertising expenditure efficiently applied, let us again consider the fortunate "A" of our exhibit. Supposing that from

the first, as so many of our honoured manufacturers are prone to do, he had shown his contempt for investment in advertising and, as our profound chairmen and diligent directors so conspicuously favour, had put annually to reserve investment those sums which in his credulity he preferred instead to invest in advertising? We will suppose that he took that wrong turning some twenty years ago. (This is about the period of his advertising.)

Also let us suppose that during those twenty years for consumer advertising his average investment has been \$25,000; this is a conservative allowance in proportion to his present \$85,000 annual expenditure.

If he had invested this \$25,000, spent annually for twenty years, in a reserve fund at a safe interest rate of, say, four per cent., he would by now have had "to reserve" the sum of \$500,000 plus added interest. There would be no question about this amount being an asset: *but what about the business?* How did that business stand relatively to competitive concerns away back there twenty years ago? It possessed no outstanding advantage.

That this concern would have forged on, in the general development of business, and business in this line in particular, is a safe assumption; the road was free and without advertised competition, but that it would have developed relatively any faster than others is open to doubt—except for the fact that "A" employed some special means for developing a superior sales momentum. That is just what he did. He began advertising before any of his competitors: he continued to out-advertise them, and thus came to do a turn-over of \$15,000,000, the largest in his line of trade, and to maintain an inflexible grip upon the market by reason of his low production cost and selling cost, resulting from an efficient sales policy based upon consumer advertising.

"A" originally had no advantage over others in machinery, labour, supplies, or in any material condition: his sole known advantage all along has been selling

momentum, or expanding good-will, due to a superior selling policy. This resulted in a steady reduction of selling cost that gave him ever greater and greater profit, or price advantage. The result of this policy of re-investing profit in advertising his own business is the largest turn-over, and at the smallest ratio of production and selling cost.

This is "A's" answer to the superior person, who prefers to drain every drop of super-vitality from a business, to permit of the building up of a "sound investment" in reserve—which, in most instances, consists of securities in some one else's business.

As already stated, if "A" had shown less faith in his own business than in some one else's business, and had laid away the equivalent of his advertising expenditure, invested in the shares of some other enterprise, instead of investing it in his own business, he would have accumulated something like \$500,000 in the past twenty years. Let us see what is the result of the internal development policy that he carried out in his own business. Take the one year's trading under review.

Three millions turn-over at a total sale cost of three and one-third per cent. amounts to a total expenditure for sales of \$500,000.

If it be assumed that this same turn-over might have been secured by other means than by advertising (which is doubtful), it must also be assumed that it would have been accomplished on the average rate of sales cost among competitive manufacturers who do not advertise—say, seven per cent., which is a low average. He would then have had an annual sales charge amounting to \$1,050,000, or an excess of \$550,000 over and above his present actual annual sales charge. This \$550,000 represents an annual saving; the result of a policy of investing money in advertising his own business. In this *one economy on one year's trading* "A" saves more than the total of a possible twenty years' accumulations for reserve

fund which might have been drawn out of his business at the expense of his advertising.

The real point to bear in mind is, that "A" owns the dominating business in his line, with a consequent advantage of lower production cost: that his selling cost is distinctly less than that of his competitors: that his business originally possessed no material advantages over a number of competitors: that it owes its dominance to a superior business policy, and that its outstanding difference in policy exists in early, continuous, and increasing advertising to the consumer.

Therefore advertising, instead of being a tax, when efficiently employed, is an investment yielding larger return than capital locked up in outside securities; its return is expressed in reduced selling and manufacturing cost, and increased turn-over; these items combined provide the measure of the good-will represented by such investment.

In most businesses by far the greater part of net income, beyond that required for the payment of a fair return upon capital, and factory betterments, can best be employed in effecting economies in sales cost, and in sales development.

Hide-bound conservatives "never will be slaves"—except to prejudice. Directors need to overcome the prejudice of shareholders against future trade insurance, and influence them to forego their too common attempts to milk away all the profits in dividends, new enterprises, and reserve account investments, leaving the business itself to get on as best it can.

But before directors can expect to appease the ravening hunger of shareholders, they themselves need to study sales cost and methods for its reduction by means of increased good-will expressed in selling momentum.

Re-investment of profit in more intense and efficient sales methods not only may be depended upon to produce a larger return upon such investment than when diverted into outside securities for reserve account, or



into new enterprises; but it will also develop into the strongest possible trade insurance, or emergency reserve-power, by creating increased good-will. This stored-up sales momentum carries a business over periods of trade depression, and acute competition, while steadily reducing selling costs. It also provides security against unexpected competition, as instanced in the following quotation from *Printers' Ink*—

“Within the past few years *Printers' Ink* has been insistent in pointing out to its readers the need of long-distance policy-making. Time after time cases have been cited where some advertiser has won out by looking to the future development of his business first, and leaving the clamourings of the stockholders until the last.

“Now comes another that gives us an insight into what may happen to a business, if the management, secure in present circumstances, leaves the future to take care of itself, and puts all the profits that can be squeezed out of the business into its pocket.

“We have reference to the situation that a certain mineral water finds itself in. Here we have a product which has been on the market for a great many years, and which enjoys an enviable reputation among its users. This mineral water is bottled at a comparatively small cost, and the profit is considerable. Yet we are informed on good authority that the bottlers of this water have never set aside a definite appropriation for advertising on a national scale over a term of years. True, occasional space has been used in a few newspapers and magazines; and in certain territory outdoor advertising has been employed, but nothing has been done to build up a competitor-proof market. Nothing has been put back into the business in the form of sales insurance. The future has been left to take care of itself, just as the futures of thousands of other successful businesses of to-day are being left to take care of themselves.

"What has been the result? A temptation was placed in the way of a group of men on the look-out for some market that could be easily forced. These men said to themselves: 'Here is one grand opportunity to pick up some easy business, and it won't take much money to turn the trick.' Capital was easily interested. And almost overnight a competitor had sprung up selling Sprudel Water from a neighbouring spring, and attempting to seize the market. The vice-president of the new Sprudel concern frankly admits that had the bottlers of the other water invested only \$50,000 a year in advertising for protection, it would have been impractical for him to have interested the capital necessary to organize his company.

"Not having done this, the newly-formed company is spreading out rapidly, and apparently getting a firm grip on the market. Distribution, we are told, was secured in Philadelphia at a cost of only \$900. All cities of consequence in the West have been stocked, and the water is moving. Five papers will be used in an attempt to capture New York. So that now the concern which pioneered the field, and which for many years enjoyed exclusive rights to the nation's business, will have to spend many times the amount of money it would have spent had it looked ahead and planned accordingly."

As intensified selling efficiency, based upon advertising, results in increased turn-over at a lessened ratio of cost, and also as increased sales, in most businesses, result in decreased cost of production, there is no escape from the logical dictum that—

*Efficient advertising is a source of increased good-will in any business to which it may be applied, and the amount of such increase is measured by the resultant decrease in selling and manufacturing cost, and that such sum may be logically credited to good-will account.*

Good-will may arise from any of a variety of sources.

A great financial reputation may invest a new bank with an immediate and valuable good-will. Established legal ability may confer great advantages upon a firm of solicitors. A monopoly of product, due to secret processes or to patents, may create an enormous good-will for a manufacturer. Recognized commercial ability, or a wide circle of friends, may give a new mercantile firm an immediate trading advantage.

All these may be considered fundamentals of good-will, but any concern that depends exclusively upon such initial impulse to project itself continuously and permanently forward to greater and greater position and advantage is doomed to ultimate disappointment. There is needed also a sequential expanding *impulse*. This is included in efficient organization, to provide, at a non-prohibitive price, the quality and quantity of goods or service required, and to press them into an ever-widening circle of consumption.

The actual value of the good-will of a business is not accurately expressed by its present accumulated worth, outside its tangible or material assets. The good-will of a great and long-established business that has ceased to develop, although showing more present profit than a smaller but more efficiently organized and more rapidly expanding business, may be, and often is, worth less than the smaller concern.

To borrow a term from Henri Bergson, the good-will of a business might well be construed as its "*livingness*." The value of the good-will of a business is in truth its state of livingness, and this in turn depends upon its functional health, and its inherent power to grow.

So far there has been discovered no other stimulus to healthy commercial growth to be compared to efficient advertising. It therefore follows that advertising, if properly applied, is pre-eminently the creator of good-will, and that some considerable part of such expenditure may properly be written off to good-will account.

Any manufacturer will instinctively know that his factory buildings and all other physical equipment for transacting his business are assets. True, they have to be written down annually for depreciation, but they unquestionably are assets. On the one hand, his inventory is credited each year by new expenditure, and on the other hand discounted by depreciation. However, there is always a value present in these items. This is because he builds and buys intelligently. True, there are degrees of intelligence displayed. A factory may be built too expensively or in a wrong locality; it may be inadequately planned or poorly constructed; the machinery may not be efficient in output, or too subject to wear or breakdown. All these discounts may exist, but in this part of his equipment the manufacturer has his definite units of comparison, and can equip himself with a certain degree of efficiency because, as a rule, he can do, or buy, exactly what someone else has already proved to be efficient.

When it comes to building the intellectual organism that is to make profitable use of his building and his machines, he is dealing with a far more difficult and delicate matter. However, even here he can perhaps surround himself with men who have been demonstrated successes elsewhere, and who have now only to do the same thing in the same way.

But when it comes to advertising, the matter becomes further complicated, due to the fact that, although established principles are to be employed, they must needs be used in a new way. One of the fundamental principles of successful advertising is the originality of its application. One advertiser cannot successfully copy another. Copying a successful advertiser defeats the end in view, which is to individualize the advertised commodity, and no individuality is created by imitative methods.

Therefore, to compel advertising to yield good-will that can be translated into reduced selling cost, or into any form of tangible asset to be recognized by the adver-

tiser, the utmost care must be taken to surround the advertised goods, or service, with an atmosphere of enhanced value and superior individuality, calculated to bring into play that suction of demand that will ensure the required reduction of sales cost—for necessary selling costs decline in exact proportion to the advance of the reputation of the goods.

Enhanced reputation is good-will, and in any large measure, and on a sound basis, within a reasonable time, it can be achieved and maintained only by efficient advertising.

There is no escaping the logical fact that good advertising produces good-will. It is, therefore, permissible that such advertising should be credited in the balance sheet with the value it has created. It is also obvious that such value is subject to steady depreciation, just as are all items of material equipment. Five thousand dollars invested this year in the efficient advertising of a sound article possesses some degree of value that persists beyond the current year; a lessened value beyond the second year, and a diminishing value through future years. Theoretically this is irrefutable.

Further, just as machines or buildings depreciate or appreciate in value through time, in proportion as they are cared for and kept in repair, and added to, so the good-will created by advertising decreases or increases in value through time, in proportion as it is conserved or repaired and developed by adequately organized and efficiently administered reserves of capital and brains. In other words, the initial impulse of advertising that is efficiently renewed, and continued from season to season, and from year to year, persists longer than if subject to a vacillating policy of frequent or prolonged periods of cessation, or inadequate or inefficient expenditure.

Advertising thus kept in a high state of repair and efficiency, acquires within itself a cumulative power of effect and persistency which, in turn, develops good-will

in a constantly increasing ratio. Therefore, except as measured by a resultant decreased ratio in cost of selling, and increased sale momentum, the amount of advertising expenditure that may be written off to good-will is so complicated by uncertain factors that it is impossible to arrive at any close estimate.

It must be admitted that any advertising that conforms to the definition of "an announcement that yields valuable information" possesses some degree of selling force, just as all atmosphere possesses some degree of moisture. But from the siroccan dryness of the desert to the Mississippi is no farther, in degree, than from the arid name-plate advertisement to the living message loaded to the point of saturation with selling force. To continue the simile: just as the degree of precipitation of moisture from the atmosphere may vary, from the most delicate dewy illusion, to the summer shower and steady downpour, and still further, to torrential storm or cloud-burst, so does the degree of sales power vary in advertising.

Who, then, is going to determine what percentage of expenditure penetrates to the roots of a business and nurtures new and stronger roots, pushing them out further and further, to better and better sustain an ever developing production? How much is consumed in freshening up temporary demand, but in no degree permanently benefiting the business? Again, how much is wasted through lack of essential cultivation of soil grown sterile through seasons of neglect, and "runs off" to swell the flood of sales expense, without rendering any valuable result? How much, because of primary error in business policy, results in positive disadvantage, like a cloud-burst that washes the soil from the roots of things, and devastates the low levels by sweeping flood?

I maintain that the true measure of good-will is to be found in the ratio of sales-cost to turn-over. This, I

think, will be admitted as a sound generalization, subject to special conditions, as are all such statements.

We may take good-will as a fact, and assume that it is measured by ratio of selling costs to turn-over, but it is difficult to prove its exact source, or, more properly speaking, its exact sources; nor is this the point we are discussing. We have already considered the permanent factors of good-will, and referred to the necessity for a vital impulse to provide for their constant development. It is a consideration of this impulse for developing good-will that brings us home again to the question of advertising and its relation to good-will.

I take it as proven that efficient advertising based upon sound, fairly priced goods produces good-will: this, in my opinion, to a greater extent than any other factor in business, except the offering of fairly priced, sound goods based upon efficient advertising. This is reminiscent of the historical argument between two gentlemen concerning the most beautiful road in England. One contended that it was the road from Coventry to Warwick, and the other that it was the road from Warwick to Coventry.

It makes no difference which way the argument is stated. These are the two factors of modern business success, and one is as important, nay, as necessary, as the other. With either the one or the other lacking, no considerable good-will can be either developed or maintained. It therefore seems logical that expenditure for permanent equipment in either direction is an investment rather than an expense, and that either investment is subject to depreciation in proportion to its period of efficiency.

#### ADVERTISING HANDLED AS AN INVESTMENT

No man can become a courageous and successful advertiser until he learns to look upon advertising outlay as an investment. There is no logic in regarding efficient

advertising outlay as mere expense. It is an investment just as much as are works or mechanical equipment.

Money put into bricks and mortar and machinery and tools is properly an inventory item, but it must be written off. No good business man would continue to carry forward from year to year the original cost items for such expenditure. Efficient advertising is in exactly the same class of investment, and subject to the same process of cancellation.

A businesslike method of handling this vexed question is that of a large, conservative, and persistent advertiser whose practice it is to treat his advertising expenditure as a depreciable investment.

Assuming that he is expending \$25,000 per annum in advertising, his advertising asset would work out as follows—

	Plus 1st year.	Plus 2nd year.	Plus 3rd year.	Plus 4th year.	Plus 5th year.	
1st year \$25,000..						\$25,000
2nd year 25,000..	\$20,000					45,000
3rd year 25,000..	15,000	\$20,000				60,000
4th year 25,000..	10,000	15,000	\$20,000			70,000
5th year 25,000..	5,000	10,000	15,000	\$20,000		75,000
6th year 25,000..		5,000	10,000	15,000	\$20,000	75,000

It will be observed that he each year writes off twenty per cent. of the total amount expended in the current five-year period. This is on the assumption that the initial impulse of advertising persists through a period of five years, which is a conservative estimate if it is properly reinforced by new and efficient expenditure.

Upon this basis of \$25,000 annual expenditure, it will be observed that after five years there is no increase in the asset, because of the extinction each year of one-fifth of the annual expenditure for each of the preceding five



years. The annual amount written off after the five-year period is reached is, therefore, exactly equal to the current year's expenditure. Thus, after five years, assuming that the \$25,000 annual expenditure is continued, the advertiser would have a permanent investment in advertising amounting to \$75,000.

Some experienced advertisers write off their advertising investment faster than this and some slower; but that the cumulative effect of sound, systematic advertising should be recognized and carried forward on the balance sheets of a business, the same as other depreciable investments, is self-evident to any one experienced in sound business-like publicity.

That advertising is one of the productive factors of a business cannot be denied, and when its continued productiveness beyond date of expenditure is admitted, as it is by all successful advertisers, it is plainly an item of investment exactly the same as is a machine or tool forming part of the equipment of a manufacturer's works. It logically follows that it should be admitted into the inventory upon exactly the same basis, and only be extinguished within the period of its usefulness.

Let us view the matter from a different angle.

Any enterprising manufacturer, with insufficient facilities of production to meet the demand for his product, would immediately proceed to increase his output by the extension of his works. This certainly would be wise and businesslike, and any expenditure for such increase of production would properly be considered an investment and carried into the inventory.

Suppose a manufacturer to possess the equipment for producing more goods than he is able to sell at profitable prices. How is he to profit to the full measure of his investment in works and organization, except by increasing his outlet of product to the full capacity of his means of output?

Is it not quite as wise and businesslike to keep the

works running to their full capacity as to extend the works to meet increased demand for goods?

Is not money spent for one purpose quite as much an investment as for the other, and equally admissible into inventory?

But after all, book-keeping is only an incident in business. Juggling the figures in no way influences the actual facts. Whether profit and loss account stands debited or credited with good-will arising from any source affects a business only as correct entry indicates its current exchange or selling value.

So far as the proprietor of a business is concerned, good-will is only the indication of its momentum, as measured by the actual and promised ratio of sales cost to turnover, as compared with previous periods, and with competitive concerns.

It has the same relation to the business that steam pressure has to the engine in the factory. Whether the steam-gauge is true or false does not affect the driving power of the engine, but in either case it is desirable to have a reliable "gauge" to indicate at a glance how much pressure is turned on.

My plea is not for a fuller book-keeping acknowledgment of the asset that is distilled from efficient advertising expenditure, but for a fuller appreciation of this vital factor of business economy and development, and a wider and more efficient operation of it.

## CHAPTER XI

### THE NEW ERA

WITH the end of the war, and the manner of its ending, a new era has dawned for the American manufacturer and business man. The condition of being at war produced changes in the industrial life of the nation that will, if properly taken advantage of, give us a superiority in industry and commerce that we should always hold.

We shall have over three million, taken from all walks of life, and many of them before inefficient and unproductive, transformed by the discipline and training of military life, with new ideals and ambitions. We have trained other millions of men and women to perform skilled labour, and have thereby increased the incomes of hundreds of thousands of families. These increased incomes mean increased spending and an increased demand for manufactured products. The tremendous increase in wages throughout the industrial field, the immense addition to the number of highly paid industrial workers and the fact that such a great proportion of this increased wage total will go into the same families through the addition of thousands of women and boys, hitherto unproductive, to the ranks of skilled labour, means an uplift in the scale of living of our labour population that should furnish one of the most important markets in absorbing the increased output of the new industrial capacity.

No definite figures as to how much our industrial equipment was increased as a result of our war activities, are available, but there is no question but that the development has been enormous. Our total home trade in 1914 was \$29,000,000,000. In 1917 it was \$64,000,000,000. The

increase in 1918 was still more. During the time that we were at war our foreign and domestic trade increased more than the entire amount of our home trade before the war.

Allowing for the increase in prices we must conclude that the war more than doubled our capacity for turning out manufactured products of all kinds.

It is estimated that the manufacturing capital of 300,000 plants was, by the early part of 1917, \$25,000,000,000, which is 25 per cent. more than all our capital before the war. Long before we became active participants scores of our greatest industrial plants had quadrupled their capacity, and before the end of the war the number which had thus increased their productive power had reached thousands.

The war has left us in a position to command the trade of the world if our manufacturers grasp their opportunity. We should come into touch with all the markets of the world, as no other nation. American branded goods, covering the luxuries and necessities of life, should be, above those of all other countries, in active demand in the home market, throughout the nation, and in foreign countries. This can be accomplished only by economically producing the goods that are wanted in these various markets, and by pressing them upon the attention of the people that constitute the different markets—in other words, by efficient output and outlet.

Efficient output demands the intelligent and efficient purchase of materials entering into the product, plus efficient manufacturing facilities and equipment. It also demands a vigorous maintenance of uniformity and quality of production.

Efficient outlet demands even more intelligence and efficiency. It requires a close study of markets as they exist to-day. What those conditions were ten years ago has little or no bearing upon the subject. We must look forward, with our feet firmly planted on the present

hour. Efficient outlet depends upon efficient salesmanship. Nor can we afford to consider salesmanship of the past, because past selling methods have little or no bearing upon the question. Economies in selling must be introduced. In the coming fierce fight for commercial supremacy the huge burden of selling expense must be reduced by the intelligent application of improved selling methods. These methods must include a process of sale that builds up and maintains a constantly increasing good-will for the goods offered—and for American goods of every description.

Manufacturers are slowly awaking to the fact that advertising is not a luxury nor an extravagance, nor a whirlpool of dizzy and wasteful speculation, but a commercial tool of proved efficiency; a time-saving, labour-saving and cost-saving machine for reducing the expense of conducting the necessary business of the nation.

As I have already stated, it costs more to sell goods than to make them. Advertising has been demonstrated to be the sole means at the command of manufacturers for reducing the enormous existing charge that the clash of competition has imposed upon selling. It is the one proven appliance for reducing a huge standing charge that necessarily has to be borne by the public, and which impedes the progress of business.

The price that the consumer pays for an article is the sum of its production cost and the total selling cost and profits charged to the point and date of sale.<sup>1</sup> Advertising is the only known means of reducing selling cost, and at the same time of driving distribution into more extended markets, thus increasing output of goods. It is also the only means of economically speeding-up the movement and sale of goods and thus facilitating the rapid turn-over of capital.

In brief, advertising, when efficiently employed, is the one means open to American manufacturers of reducing

<sup>1</sup> See definition of Selling Cost, p. 4.

the huge total national charge imposed upon the public by obsolete and expensive sale-methods, a charge but seldom regarded by the public.

To make this plain, it is only necessary to consider a tablet of ordinary *unadvertised* soap. The same analysis of selling cost will approximately apply to any common commodity of general sale. If we let 100 per cent. represent the price paid at the retail counter we have the following example—

Retail Selling Price . . . . .	100 per cent.
Selling Costs based upon retail selling price—	
<sup>1</sup> Retail charge . . . . .	33 $\frac{1}{3}$ per cent.
<sup>2</sup> Wholesale charge . . . . .	16 $\frac{2}{3}$ “
<sup>3</sup> Manufacturer's charge . . . . .	5 “
Total Selling Cost . . . . .	<hr/> 55 per cent. <hr/>
Balance of Retail Selling Price in hand for production and manufacturer's profit . . . . .	45 per cent

It has to be remembered that the manufacturer has a dual service to perform; he has to produce the article and also to sell it. In the above example he is allowed five per cent. upon the retail price, to cover his selling expense. He may eliminate the wholesaler from his selling plans, in which event his increased individual selling expense will approximately swallow up the amount which we have allowed the wholesaler, and the total item of selling cost will remain about as shown. In rare instances he also assumes the function of a retailer, by selling his product direct to the consumer, through chain-shops; in this event a very large part of selling cost here allocated to the retailer must also be added to the manufacturer's selling cost. The total selling cost will not be materially affected.

<sup>1</sup> Based on retail turn-over.

<sup>2</sup> Based on retail turn-over. On wholesale turn-over equal to 25 per cent.

<sup>3</sup> Based on retail turn-over. On manufacturer's turn-over equal to 10 per cent.

By this rule-of-thumb example it appears that 55 per cent. of the retail selling price of an ordinary tablet of unadvertised soap is consumed in the process of selling, leaving but 45 per cent. for materials, labour, and capital employed in its production. By the same rough process of analysis let us determine the selling cost of an efficiently *advertised* tablet of soap—

Retail Selling Price . . . . .	100 per cent.
Selling Costs based upon retail selling price—	
Retail charge . . . . .	25 per cent.
<sup>1</sup> Wholesale charge . . . . .	7½ “
<sup>2</sup> Manufacturer's charge 5 per cent . .	
Added for Advertising 10 per cent . .	15 “
Total Selling Cost . . . . .	47½ per cent.
Balance of Retail Selling Price in hand for production and manufacturer's profit . . . . .	52½ per cent.

These selling charges are exhibited throughout on the basis of the retail selling price, and, in the first example, based upon turn-over, are equivalent to 33½ per cent. for the retailer, 25 per cent. for the wholesaler, and 10 per cent. for the manufacturer. In the latter example the selling charges are equivalent, upon turn-over, to 25 per cent. for the retailer, 10 per cent. for the wholesaler, and, including advertising, over 22 per cent. for the manufacturer. We, however, find that we have still in hand 52½ per cent. for production and manufacturer's profit, as against 45 per cent. for the unadvertised article—a positive saving of seven and a half per cent. upon the total turn-over, figured on final *retail price*.

In other words, the economic advantage to the public is seven and a half per cent. of its purchase price expressed in either better value, or lower price, or extra profit to the manufacturer. In any event it is increased national wealth due to increased economy and commercial efficiency.

<sup>1</sup> Equivalent to 10 per cent. on turn-over.

<sup>2</sup> Equivalent to 22 per cent. on turn-over.

Nor is this reduction in sales cost made at the expense of the middleman, as appears in the example quoted. Efficient advertising creates a demand for the goods that relieves both wholesaler and retailer of a large selling expense. The wholesaler does not need to "drum" for sales. His orders from retailers are secured at much less cost to him. The retailer does not have to "sell" the goods to his customer, for they are "sold" when asked for, or are accepted without argument—he has only to make delivery. Both wholesaler and retailer have to invest much less money in stock, for it moves steadily and rapidly, and the manufacturer holds adequate supplies upon which they can draw frequently. Moreover, one efficiently advertised article in popular demand will adequately supplant several similar, slow-selling lines, thus enabling the trader to simplify his stock and so reduce his investment. It is not big profits, but quick turn-over, that yields the biggest legitimate return from capital.

Truth should forever silence that ancient, false tradition that a thing is "cheap because it is not advertised." It was born of ignorance and nurtured by the self-interest of the non-advertiser and his co-conspirator, the stupid merchant, who ignorantly prefers an occasional big profit to a frequent smaller one, and who seeks to work off unsaleable goods upon unwilling customers by repeating the antique fiction.

But perhaps the greatest saving that results from an aggressive sales policy, based upon efficient advertising, exists in the reduced cost of production of goods that follows an expanding volume of turn-over. Cost of production can never be determined until the volume of production is determined. Therefore, by increasing steady, uniform, standardized production, as a result of increased sales, production costs steadily decline. This results in increased value in the product, or extra profit to the manufacturer, or less price to the public—a further



increase in national wealth, as a result of efficient methods of sale due to the efficient use of advertising.

It is unfortunately true that few manufacturers have applied advertising with sufficient acumen to secure more than a fraction of the possible benefit it yields when efficiently carried out. The vast majority are still staggering under the burden of obsolete and expensive selling methods that ignore advertising to the consumer.

In the wholesale and retail trade there already exists an elaborate system of distribution. This comes to us from the past, but present-day salesmanship demands of it a far better service than did the past. Fortunately this distributive machine has developed with the times, and can be easily adapted to the requirements of efficient present-day salesmanship.

As a means of pushing the sale of a particular article the wholesale trade is inefficient and obsolete, as those manufacturers who depend upon it know to their sorrow. It possesses not a pennyworth of demand. It merely responds to the demand of the consumer passed on by the retailer. The latter may assist in developing local demand, by showing goods and show-cards in window or on counter, or by other means open to him. There are certain articles which, by their display, excite a strong desire for possession; but the attraction of these is vastly increased if the observer, by reason of previous advertisement, has been led to appreciate their desirability. Most goods, however sound, do not in themselves create this acquisitive desire. They require the efficient and persistent advertisement of utility or other merit, continually pressing their desirability upon the mind of the consuming public. Goods, thus advertised, become an irresistible magnet when displayed by the retailer. Their display is a distinctly secondary, though important, factor in the creation of demand.

Large department stores, as distinguished from ordinary stores, possess a distinct, individual power for creat-

ing demand by reason of their large capital and extensive and various attractions, and the efficient advertising of the goods and service offered for sale.

With respect to many lines, they occupy the position of manufacturers. They find advertising to be a sales economy, and spend from three to four per cent. of their annual turn-over in this single item, exclusive of the huge extra rent or interest charge upon premises located to secure the greatest possible advertising advantage.

Demand fundamentally exists only with the consumer, and to-day the consumer increasingly desires to make his own selection in purchase. He has opinions of his own, and it is the function of the middleman to supply him (or more probably her) with what is wanted.

Although the wholesale and retail trade-machine is to-day practically useless to the manufacturer as a source of demand, it is, as already stated, an efficient means of distribution, and enables the manufacturer to place his goods convenient to the consuming public. Therefore modern and efficient salesmanship includes these factors, but regards them wholly, like carriage and warehousing, from a distributive point of view.

The vital selling factor is the consumer. Without him all is lost. With him everything is possible. The middleman buys only what his customer wants. The consumer buys what he himself wants; hence efficient salesmanship must secure his good-will. This can be secured and maintained *en masse* only by creative advertising, which fact makes advertising the key-stone of modern and successful salesmanship. Salesmanship and advertising go hand in hand. One is complementary of the other.

To apply efficient advertising to any article, it is, of course, necessary to brand or otherwise identify it, that the public, in response to the advertisement, may be sure that it gets what it asks for.

This entails a great responsibility upon the manufacturer. The goods must be what they are claimed to be

in the advertisement; and must always be kept up to that established quality. That mark of identification which, in case of satisfactory, standardized quality and efficient salesmanship, soon becomes an asset overshadowing every other item in valuing a business, is, in the case of fluctuating inferiority, a certain means of public avoidance of the article, and the destruction of the business.

It is this fact which keeps undesirable goods out of the advertised class, and ensures the success of efficiently advertised articles. That there are undesirable goods precariously advertised, no one can deny. There are adventurers and inexperienced manufacturers who still imagine that they can fool the public. These soon discover their mistake, with the result that undesirable advertised goods are as nothing in comparison with the shoals of undesirable goods flooding the unadvertised market. The trade and the public have already discovered this, which accounts for the steady increase in demand for advertised goods, in preference to competitive goods that are not advertised. There is no re-sale risk in buying an efficiently advertised article. The consumer finds it always the same—once satisfied, always satisfied, and satisfied customers are a manufacturer's, as also a dealer's, greatest asset.

The advertiser thus takes on a big responsibility, but it is worth it. He is building a permanent business. He is taking a firm control of his business. He is, day by day, establishing a good-will otherwise impossible, for it is built upon the whole community, not upon the caprice or fortunes of a few traders who are always open to the blandishments and bribes of competitive manufacturers. He puts his own price on his goods, and, what is of more importance, is able to maintain it.

As advertising is the key-stone in the arch of modern salesmanship, bridging the space between maker and user, it should, therefore, receive the most earnest and

intelligent consideration by every one who has something to sell. The successful manufacturer of the future will not only study production costs; he will also insist upon the use of the most efficient means of minimizing selling costs. And in this department will fall every detail that affects public opinion as regards his business, from the naming and "get-up" of the product, to the wooing of the public by advertisement of whatsoever kind, from note-head to poster or show-card, from price-list to periodical advertisement.

All these various things need close attention, and will repay the utmost care bestowed upon them. They can be taken up one after the other without dislocation of the regular machinery of affairs.

When it comes to a consideration of important advertising policy, involving considerable expenditure in periodical, posters or other form of extensive publicity, it is difficult for one inexperienced in such matters to arrive at definite figures for such investment. Nor can any rule be given for determining the proper sum. There are innumerable factors to be considered. Time, occasion, and circumstances are all vital factors. It is a hopeless task even to attempt to suggest a definite method for solving the problem until all the factors of the situation are before one.

Here is one illustration: A glove manufacturer with a turn-over of about \$150,000 concluded that the business could be profitably expanded by systematic advertising. He believed that by this means he could increase his turn-over to \$500,000 or \$625,000. He did not believe this could be done in one year, so based his calculations upon a three-years' period, as follows: first year, \$250,000; second year, \$375,000; third year, \$500,000. He considered eight per cent. as being a fair charge for advertising, and this, computed upon the three-years' turn-over, indicated an advertising appropriation of \$90,000, to be spread over the three years.

The plan was carried through with the following result: Sales, first year, \$225,000; second year, \$400,000; third year, \$550,000: total for three years, \$1,275,000. His advertising, therefore, worked out a trifle under his estimated 8 per cent.

It is, of course, admitted that isolated instances can prove no rule, but this case at least indicates a method for attempting to solve the problem of appropriation. This would probably represent a business showing a margin of approximately 35 per cent., leaving say 10 per cent. for personal salesmen, 5 per cent. for administration, and 12 per cent. profit.

Another manufacturer determines his advertising appropriation by the resultant reduced cost of selling by salesmen. He considers that advertising, to be successful, must enable salesmen to produce increased sales at a reduced ratio of cost. Therefore his advertising appropriation is governed by the decrease in the cost of salesmen. In other words, the saving on selling cost (exclusive of advertising cost) is expended in advertising. He, of course, takes into account the fluctuations of the market; but the advertising appropriation is closely gauged by the economies it effects. Advertising may properly be regarded as investment rather than expense.

There is a good suggestion in this for those who have difficulty in determining a continuing advertising appropriation; but it must be remembered that whatever advertising plan is undertaken it must be well and sufficiently done, if benefit is to be expected. It is in most cases possible to apply this method experimentally, upon some selected district, without any serious interference with existing methods in the balance of the market. When once determined, without faltering, it may be extended gradually or immediately to the whole market.

To enable one to analyze critically the relative merits or demerits of advertising, as compared with exclusive personal salesmanship, and so arrive at an intelligent

conclusion in making the experiment above suggested; and also to assist those already embarked in an advertising policy to determine the "saturation point" in advertising expenditure, the following "group system" of analysis by districts is instructive. The article from which I quote appeared in *Printers' Ink*. Although the plan outlined in this quotation would probably have to be modified to meet individual conditions, it may be studied with profit by all manufacturers. If critically pursued it will yield exceedingly valuable results to any manufacturer selling to the consumer, or through the retail trade. Obviously when a considerable proportion of the sales is made to wholesalers, and definite information is lacking as to the district of re-sale, it further complicates or makes impossible the analysis.

The quotation is as follows—

"It was agreed in the beginning that while there was no direct connection between inquiries (largely for booklets) and sales made by salesmen, the number of inquiries was taken as a fair measure of the amount of advertising that had been done.

"Because of the varying number of inquiries and the varying number of prospective customers in the different territories, it was decided to reduce the inquiries per territory to the 'inquiries per thousand prospective customers' in each territory. This was done by dividing the total number of inquiries in each territory by the number of thousand prospective customers in each territory. The result gave the amount of advertising per thousand prospective customers in each territory.

"The territories were then re-grouped into six groups, according to the amount of advertising done. In Group 1 were put all agencies with less than 100 inquiries per thousand prospective customers; in Group 2, all having between 100 and 150; Group 3, all between 150 and 200; and so on to Group 6, which had all territories

with more than 300 inquiries per thousand prospective customers.

"Then the total sales were taken for all the agencies of each group, and these being divided also by the number of thousand prospective customers in the group of territories gave the sales per thousand prospective customers in each group. Then the amount of these sales was obtained by multiplying by the average sale price, and the total in dollars was used as a basis to estimate percentage of the advertising cost.

"The cost of the advertising in each territory was obtained (accurate enough for the purpose) by dividing the grand total number of inquiries handled into the total advertising appropriation expended, to get the average cost per inquiry, and then multiplying this cost per inquiry by the number of inquiries in each group.

"In Group 6, it was found that during the period covered by the figures—which was about three years, or long enough to afford a fair test—55 cents had been spent on each prospective customer, and that the sales averaged \$25.20 for each prospective customer. This made the advertising cost 2.19 per cent. of sales.

"In Group 5, the expenditure was 47 cents per prospect and the sales \$19.80, making the advertising cost 2.38 per cent., or .19 of one per cent. higher than in Group 1.

"In Group 4, the expenditure was 39 cents and the sales \$16.20. The advertising cost jumped another .04 of one per cent., or from 2.38 per cent. to 2.42 per cent. of sales.

"In Group 3, the expenditure was 31 cents and the sales \$10.20, running the per cent. of cost up to 3.06 per cent., or almost a half higher than in Group 6.

"In Group 2, the expenditure was 23 cents and the sales \$9.00, making the per cent. of advertising cost 2.58 per cent., or only a little higher than in Group 4, and .48 of one per cent. less than in Group 3.

"In Group 1, the expenditure was 15.2 cents and the average sales \$7.60 per prospective customer, bringing

the per cent. of advertising cost down to exactly two per cent., or the lowest advertising cost in any of the groups—though sales were less than a third as much as in Group 6.

“An analysis of these figures showed that the average per cent. of advertising cost for all territories was about that expressed in Group 3, or the highest point of cost: which was natural, perhaps, since the company was hesitating between an increase or a decrease in advertising expenditure.

“The advertising was paying even here, however, because the sales were \$10.20 per prospective customer against only \$7.60 where the advertising effort was but half as much.

“It was plain that the percentage of advertising cost could be reduced by either decreasing or increasing the advertising expenditure to two per cent., by cutting it out almost entirely and relying wholly on salesmen, as in Group 1; and to 2.19 per cent. by spending 24 cents more per prospective customer, as in Group 6.

“The two per cent. cost looked a little better than the 2.19 per cent., but the two per cent. was based on an average of only \$7.60 in sales per prospect, whereas the 2.19 per cent. was on the average of \$25.20 in sales per prospect, so there really was no choice, if advertising and sales efficiency were to be considered.

“Further analysis showed that in Group 1 the advertising effort (15.2 cents per prospect) was accompanied by selling efficiency of \$7.60 per prospect. In Group 2, the increase in advertising effort of eight cents per prospect added only \$1.40 per prospect to sales; and in Group 3, a further increase in advertising of eight cents per prospect enabled the sales force to add only \$1.20 to sales.

“Above this point the amount added to advertising had a greater effect on sales. Eight cents per prospect, added successively to Groups 4, 5 and 6, increased sales \$5.00, \$3.80, and \$5.40 respectively.

“Since the result from the last increase (Group 6) was



the greatest of all (\$5.40 from an increased investment of eight cents), there apparently is room for further improvement, even above Group 6; but at the time of making these charts not enough selling agencies had received advertising above 55 cents per prospect to make another group.

"The men who were familiar with the conditions believed that at least one more increase of eight cents per prospect would have brought equally good results and that it would undoubtedly have reduced the percentage of cost to below two per cent. Some felt sure that the point of highest efficiency was very much higher than even that—possibly even as high as \$1 per prospect on the line in question.

"To determine the highest efficiency obtainable the expenditure should be gradually increased until the percentage of cost is no longer satisfactory.<sup>1</sup> The latter point must, of course, be determined by each business for itself; in some businesses, three per cent. would scarcely be satisfactory, while others will easily stand ten per cent. or even more.

"In the analysis above, the 'sales per man' in each group showed an even more graphic proof of the effect of the advertising.

"In Group 1, the sales were \$1,325 per man per month, and in Group 6, they were \$1,950 per man per month. On a commission of 15 per cent., a salesman in Group 6 was able to earn \$93.75 per month more than a brother salesman in Group 1, taking averages, to distribute and equalize any possible variation in ability or 'energy' in the men themselves. A great number of salesmen were employed in each group, so that the average ability and average amount of time worked would not have varied much between the men in the two groups.

<sup>1</sup> I should express this by saying that expenditures should be gradually increased until such increase fails to produce an equivalent reduction in sales cost or increased turn-over.

“It was also found that the average expenses were nearly \$108.00 per month less. So salesmen in Group 6 had a little over \$200 a month the advantage of salesmen in Group 1, because of the advertising.”

This manufacturer's experience clearly indicates the importance of a careful analysis of advertising results. It emphasizes the necessity of closer attention to sales cost than is practised by most advertisers. It also makes it plain that a manufacturer who plunges blindly about in the world of advertising has little chance to succeed in competition with one who applies advertising intelligently. It indicates the desirability of offering in advertisements to send some booklet or other advertising matter, in response to inquiries from the public. A careful record of such inquiries affords a basis of comparative analysis with respect to the relative efficiency of advertising policies to be pursued, and also of the media employed.

Great care should be exercised in arriving at conclusions based upon such nebulous hypotheses, for it must be admitted that the data is insufficient for valuable conclusions, except as when safeguarded by important corrections that take into account many relative factors of fluctuating value.

Fortunately for a manufacturer who desires to speed up his business and to reduce his selling costs, there are those whose business it is to counsel and assist him—men who, from actual experience, are well acquainted with the principles and the application of advertising, and can reduce experiment to a minimum.

By this it is not meant that even the most experienced and expert advertising men can, single-handed, lead either a new business, or one long and well established, into a haven of perfect accomplishment. But it is certain that the more expert and experienced the counsel the more certain and profitable the attainment. There is a huge mass of costly experiment that trained and capable

advertising counsel can entirely eliminate from amateur advertising. This is obviously a distinct saving in time and money, and time *is* money in a developing business.

In the New Era now dawning upon the world, competition promises to be even more aggressive than in the past. It becomes increasingly necessary for manufacturers to stifle all prejudice as regards the application of demonstrated means of increasing the efficiency of selling methods. It is only by such increased efficiency that selling costs, now such a burden upon trade, can be reduced. The measure of such decrease is the measure of the applied efficiency. Those responsible for the marketing of any commodity should be measured relentlessly by this standard. Every per cent. cut out of selling cost without menacing the future momentum of the business, and every per cent. of increased momentum injected into the business, should be added to the prestige of those responsible for the achievement.

Narrow opinion and short sight can have no place in such achievement. Those who are building for the future must take the future into account.

### THE FUTURE

What you do To-day is the effect of what you thought Yesterday. What you do To-morrow depends upon what you think To-day.

There is no NOW. Time is all Past and Future; for the Present is gone while you reach out your hand to grasp it. Each tick of the clock is a moment past—not a moment present.

The Past you have had. The Present you cannot grasp. The Future is all you possess. Make the most of your Future! No one can filch it from you: no one can destroy it: no one can prevent you from extracting all the success and fortune that *you put into it*.

Only you, yourself, can be held responsible for your

Future. You alone can destroy it. We may all help each other, but each one of us is responsible to himself for his success or failure—and success or failure depends upon our ability to anticipate the Future.

Let the Past go. Stop clutching at the Present—the only thing of consequence is the Future.

**MAKE THE MOST OF YOUR FUTURE!**

## CHAPTER XII

### THE TRADE-MARK

**EFFICIENT** advertising presupposes an identifying Brand or Trade-mark upon the article advertised, or upon the wrapping in which it reaches the consumer.

The selection of a trade-mark should have most serious and expert consideration. Not only should it possess character to secure ample Trade Rights by reason of priority and usage, and features to permit of registration under the Trade-marks Act, but it also must possess that brevity and simplicity required to make it adaptable to its required use. Mere originality is not sufficient. It must also be easily recognized and remembered.

If it is a name mark only or a name in combination with a design, its influence upon the public must be considered. Some marks can be driven into public attention and memory on a dime's expenditure as compared with others that would cost a dollar to obtain equal result. Therefore a reduction in selling cost begins with the selection of the right mark of identification.

A short name is better than a long one. It is easier to pronounce, easier to write, easier to remember, and also easier to display effectively in a small space. In advertising space occupied is the big expense, therefore, in deciding upon a name, brevity should be insisted upon. Easy pronunciation is desirable, because the public is shy about mispronunciation, and inquiry at the counter should not lead to embarrassment. Something

else than the desired article is sometimes asked for to avoid wrestling with an unpronounceable name.

Legibility is most important. Apart from the character of letter employed, certain combinations of letters are much more legible or easily seen than others, hence more easily remembered and, therefore, more economical in advertising. To my mind "OXO" is the best name ever attached to a proprietary article. It is indicative of the article to which it is applied. It is short, permitting of strong display in small space. It cannot be mispronounced. It is legible, and possesses the unique advantage that it can be read from right or left, or upside down. The letters of which it is formed stand distinct from one another, with the result that it "carries" a long way, a most desirable feature for poster and sign advertising. It is in short an ideal name.

Anything descriptive is now denied registration, and if allowed, such names would lead to—in fact, encourage—substitution. "Little Liver" in the name "Carter's Little Liver Pills" has resulted in enormous litigation to stop substitution which, probably, would have been otherwise avoided. The unsuspecting public has had innumerable "little liver" pills imposed upon it when Carter's have been really inquired for, all owing to the descriptive phrase being so strongly associated with the name. In the beginning, no doubt, this phrase assisted in selling the goods, but later on it was taken advantage of by the substituter.

A trade-mark is primarily a weapon of defence to protect the owner from loss by assuring every one handling the goods, and also the final purchaser, that they are genuine as specified on the invoice. But there is also a power of offence in an identifying mark, if it is properly manœuvred. By giving publicity to the identifying name, or mark, and surrounding it always with an atmosphere of value, it will accumulate the momentum of all the power of good-will generated by the satisfaction

of those who handle or consume the goods that it protects, and by all the force of advertising that is attached to it.

By this means enormous values are stored away in trade-marks, *e.g.*, "Bass," "Johnnie Walker," "Sunlight," "*The Times*," and hundreds of others which will immediately claim attention. In legal proceedings concerning the American Tobacco Company, in the U. S. Circuit Court, a petition has been submitted to the effect that the trade-marks controlled by that company have a value in excess of \$45,000,000.

The value of the trade-mark "Uneeda," as applied to the products of the National Biscuit Company, is stated by its president to be \$1,000,000 for each letter, or \$6,000,000. In an infringement suit the Gorham Manufacturing Company of New York declared the value of its trade-mark to be between \$1,000,000 and \$2,000,000. The value of the name "Coca-cola" is stated by its proprietors to be \$5,000,000.

It is needless to give other examples. There are few manufacturers who have protected their products by trade-mark, and successfully advertised them, who would not unhesitatingly declare that the value of their "mark" is greater than their material assets. This is an immense gain over what their accumulated profit would have been on the same turn-over and rate of profit, if they had not attached their "mark" to their goods. It clearly indicates the superiority of the modern method of business, and suggests the necessity of getting the right mark to begin with. In the selection of a trade-mark it would be wise to investigate the protection given by "registration" or "copyright."

Euphony, or agreeable sound in pronunciation, is desirable, or something unusual and peculiar may possess distinct advantage in securing immediate and economical publicity.

Design is of great importance, either in the name or in additional embellishment. Purely decorative effects

should be avoided, as they only confuse the eye and interfere with strength, simplicity, and legibility.

The addition of some distinct associated figure is desirable if it embodies added interest or assists in creating desirable associating ideas. It should be of such a nature as to make it possible to use either the name or design separately, as will at times be desirable. Distinctly human, animal, or purely imaginary figures, are always interesting, and, if they possess easily recognized and remembered characteristics, are most desirable. Such marks permit of a variety of presentation, thus obviating monotony in advertising. They are storage batteries for all that accumulative sales force that permits advertising to accomplish a constantly descending percentage in sales cost. One of the most conspicuously successful of such characters ever introduced into advertising is the world-famous "Johnnie Walker," which, it may be added, was created by the writer. American readers will immediately recall the "Gold Dust Twins," another of the writer's creations. The benign old gentleman, so long associated with Quaker Oats, is another.

It is of advantage if a trade-mark shows how the goods may be used, or suggests some outstanding quality or advantage possessed by them, but this should not be done if it restricts their use within too narrow limits, or unduly complicates the design.

Trade-marks that depend upon a personal name are not always desirable, as another individual of the same name may, sooner or later, come into competition or develop confusion. Names of towns, countries, or localities are also to be avoided, for others may produce competitive goods there, and contest the market, developing unsatisfactory trading conditions.

Fanciful or coined names are safest, but the shorter, and easier to pronounce and remember, the more economical are they, in both introduction and maintenance.



Of course many of the classes of names here suggested are automatically eliminated from registration, as the law taboos dictionary words, either English or foreign; but there is a vast amount of merchandise protected by "marks" that are not registered, and cannot be registered. Such marks became proprietary by reason of priority of their application and continued use.

The law recognizes the rights of proprietors to the exclusive use of such marks. The prior adoption and continuous use of a name, design, style, or get-up of the goods, or any combination of distinctive characteristics in their appearance, is construed into a proprietary right to exclusive use. The law takes into account the proprietor's good-will, as represented by continued use of the distinctive get-up of the goods. Thus an unregistered mark, under these conditions, affords ample trading protection to its owner.

Another factor of protection of such unregistered mark is the law's extreme care for the interests of the public. It frowns majestically upon any attempt to deceive the buyer, and may safely be relied upon to punish any one for attempting deception by substituting one article for another asked for, and to prevent any one from offering goods under a counterfeit title, or style of turn-out, calculated to deceive the purchasing public.

Great ingenuity is sometimes necessary in attaching the identifying mark to the goods in a manner to assure their easy identification by the consumer, which is imperative if the full value of the mark is to be secured. Identification only to middlemen restricts the good-will value of a business entirely to the trade. This method of trading I have elsewhere stated is obsolete, because the demand for a constantly increasing group of goods is more and more dependent upon the consumer's preference. Advertising, the most important factor in reducing sales cost and increasing demand, cannot be taken full advantage of by the manufacturer unless his

goods can be easily and definitely identified by the consumers of them.

This difficulty of attaching the mark has prevented manufacturers of certain lines of goods from profiting by the policy of marking, and marketing goods by modern selling and advertising methods. Most goods sold by druggists, confectioners, grocers and hardware dealers, vehicles and machinery, etc., are easily marked for the consumer's identification; but it is not so easy for fruit-growers, or for manufacturers of textiles delivered to the trader in the piece to be cut up by him, and sold to the public by the yard. However, even fruit-growers and textile manufacturers are gradually finding ways and means of identifying their goods, and of participating in the newer and better methods of distribution and sale.

Identified handkerchiefs, hosiery, gloves, shirts and collars, boots and shoes, underwear, bags and all travellers' requisites, ready-to-wear clothing, waterproofs, etc., are all coming faster and faster into line. All these, and hosts of other necessities and luxuries, are excellently adapted for branding and selling by the newer and more profitable methods.

Manufacturers of all those lines of goods which have not yet come to be dominated by standardized, identified, and advertised lines, should give profoundest thought, based upon searching investigation, to the possibility for trade-marking, standardizing, and marketing such a line. No other commercial undertaking is more certain of satisfactory result, or permanent development, if efficiently undertaken and carried out. By way of illustration I mention the following example.

No trade is in a more demoralized condition than is the manufacturing of cravats. Any one with a few dollars of capital can engage in it. In New York there are some two hundred manufacturers of cravats. As a result the neckwear market is in a state of chaos. Over-production is chronic. Prices are slashed right and

left. Under such conditions, to most men there might appear to be no hope for a line standardized in quality, or for identified and advertised cravats. Yet, in the face of all this, there is a man who, some years ago, had the intelligence to see his opportunity to profitably do this very thing, and who succeeded in building a big national business on exactly these lines. Not only has he established a profitable nation-wide trade in his trade-marked and advertised line, but he has also enormously developed his entire business, including many other lines. His entire production has been lifted into a superior position, by reason of his advertised line.

I have already explained why this result is a logical sequence to efficient advertising effort. I mention the matter here merely to emphasize the importance of seeking out, for identification and advertising, those lines of goods that have not yet been demonstrated as adapted to the modern selling policy that relies upon the consumer. There exist great possibilities for manufacturers in this suggestion.

There are few important manufacturers of identified goods who produce only one thing. Usually there are several articles, and frequently many. In most instances they are all of one general classification: foods, toilet goods, hosiery and underwear, clothing, medicines, or house furnishings, etc. The natural tendency is for all the various productions of one concern to group themselves around a common trade-mark. This is not always the case, nor always desirable, but there is such a natural tendency, and for many concerns it affords exceptional advantage. It is an evolution of selling methods at present particularly discernible in America, and as the majority of our forward movements in selling methods are first applied here, it is perhaps safe to hazard the opinion that a new advance is thus foreshadowed.

If it is not desirable to group the whole output of a manufacturer under one family name, frequently more

than one line, selling through the same trade, can be more advantageously worked under a common name than can a single production.

If every article in the group is sound and desirable, and calculated to give complete satisfaction in use, it is obvious that a satisfied buyer of one of the group will be favourably influenced toward the purchase of the others. It is equally obvious that one unsatisfactory article in the group, under identical name, will continually tend to destroy the reputation of the others. Therefore every article admitted to the family circle must possess unimpeachable credentials, and be worthy in every particular.

To more clearly illustrate the cumulative suction of advertising when applied to a group of products exploited under a "family name," I will instance the experience of "Rubberset" brushes. First a "Rubberset" Shaving Brush was put on the market, and efficiently distributed and sold by the modern method. Subsequently a "Rubberset" Tooth Brush was introduced. Concerning the success of this venture I will quote the advertising manager of the Rubberset Company<sup>1</sup>—

"Each product has been able to make its start miles ahead of where the one before it was compelled to start its race for public favour. Indeed, this cumulative appreciation on the part of the consumers of what our name stands for got us into trouble when it came to the Rubber-set Tooth Brush. We planned the initiation of our tooth brush months ahead, and ordered advertising in the March issues. No labour familiar with the manufacturing of tooth brushes being available in Newark, we had to open a school of instruction, and teach our help. Mr. Albright estimated that if we had a million brushes on hand before the advertising started that would be enough.

<sup>1</sup> *Printers' Ink*, New York.

"We made up the million. But so great has been the demand for Rubberset Tooth Brushes, as the result of what was practically a mere mention of it in the advertising pages, that we are to-day two thousand gross behind in our orders from dealers, in spite of the fact that we are making twenty to thirty gross a day, an amount far in excess of what we expected to make.

"The Rubberset Tooth Brush success is naturally bringing about the evolution of a dental cream, which is to be the next member of the Rubberset family. Later on a Rubberset Hair Brush and a Rubberset Nail Brush are to be exploited. But, in these instances, foreseeing a monster demand, because of the reputation of the trade-mark, pains will be taken to have a sufficient supply on hand when the announcements are made."

This experience of the Rubberset Company indicates clearly that the value of the good-will of any trade-marked or branded and advertised article exists in the mark; but it is always to be borne in mind that no permanent value can adhere to a trade-mark or name attached to goods of unsatisfactory character or quality, and that accrued value will be quickly dissipated by any failure to keep goods up to established standard. The extent of trade-mark good-will is its accrued value at any period, as the result of the quality of the goods identified by it, and of the advertising put into it, and is measured by the demand for it.

The result of the advertising can be materially enhanced or seriously discounted by the efficiency or inefficiency of the mark itself. It is, therefore, of supreme importance to begin the advertising history of any article by deciding upon an assisting mark, rather than one possessing no potential value, or worse still, one of positive disadvantage.

The value of a trade-mark frequently develops into a fabulous amount, surpassing all other combined assets

in a business. In the American and British markets, as well as throughout the world, the ultimate trade-mark value to be reached is only possible by efficient and courageous advertising. This is also true in Continental Europe, and indeed in all commercially developed countries, but, up to the present time, in a less degree than in Anglo-Saxon countries.

The great war revealed a singular but illuminating example of the value of a trade-mark, even when limited in its selling force to a mere mark of defence against substitution, and without the assistance of advertising.

It seems that the ubiquitous German merchant has gained control of certain sections of China's cotton trade, which are of very great value. Here, indeed, has recently been enacted the original drama of the merchant *versus* the maker, as in the early days of modern commercial effort. These crafty and highly intelligent German merchants, realizing the superior value of the "mark" over the value of the "mill," established each his own private "mark," or "chop," for certain types of cotton goods, and then induced obliging but stupid cotton manufacturers to compete for the privilege of making the goods at his price, with his mark upon them. English manufacturers, by reason of their power to produce at the least cost, or because they were content with the least profit, have been holding the bag for these super-minded German merchants in China, by producing these cottons for them. Now, as a result of the War, neither party to this jug-handled arrangement desires to or can trade with the other, and the German merchants, who have the whole matter well in hand, are filling their orders in America—or wherever they can.<sup>1</sup>

These established and profitable German brands of cottons for China are permanent assets, built up at the

<sup>1</sup> After this was written both America and China came into the war, and the condition referred to has ceased to exist, but the incident serves to establish the principle under discussion.

expense of those who supplied the goods at microscopic profits. The Germans have the whole competitive world to draw upon for goods, and one can imagine the margin of profit they *allow* the benevolent manufacturer to retain. On the other hand, their chops are known, and goods bearing these marks are demanded by the Chinese middlemen, because their customers—the Chinese consumers—demand them. It is not an easy matter to break into that market with new chops, as China is not a fruitful field for advertising goods for sale to the native consumers. It will require much time, courage, and cash for a new-comer to get a “look in.”

This example demonstrates two things: first, that a well-established trade-mark is a sounder asset than a well-established mill; and second, that merchandising is a more profitable business than manufacturing unidentified goods.

If this is true under primitive Chinese conditions, how much more important it is when applied to trade in highly organized commercial countries, where the factor of efficient selling is multiplied by competitive and highly organized advertising!<sup>1</sup>

The adoption of a desirable name or mark—or combinations of name and mark—is a matter of supreme importance. The fact that many goods are sold under ridiculously long and difficult names, and rigid and intricate marks, is no argument in favour of such selection. Most of such goods were placed upon the market before competition was as keen as now, and when the public had leisure and curiosity to learn, and to remember to distinguish them. Even under these circumstances goods would have circulated more freely, and taken their place more rapidly, had better names and marks been chosen.

To-day when advertising must needs be utilized, to

<sup>1</sup> Another example of this purely defensive value of a trade-mark is given on p. 101, where reference is made to steel traps.

build up trade, it becomes continually more necessary to choose simple and distinctive marks that are well adapted to exploitation by publicity.

Undoubtedly sufficient expenditure of money and effort can force any honest goods to the front, but why handicap expenditure and effort by the "extra weight" of a commonplace, or distinctly bad name or mark?

Too often a trade-mark is decided upon purely from the trade-mark expert's opinion of its conformity with the Trade-marks Act, whereas it should also be considered from the equally important aspect of its advertising and selling value. From either point of view it should be passed upon by experts, and not left to impulse or accident, nor be decided by those who are incompetent.



## CHAPTER XIII

### ADVERTISING MEDIA

It is not my purpose in these pages to attempt to deal with the practice of advertising, but only to assist to a fuller appreciation of it, as a means of acquiring selling momentum and a consequent lessening of sales cost. It seems desirable, however, to state some of the difficulties to be found in putting an efficient advertising policy into effect. This is necessary to guard against the inevitable failure of ill-considered and improperly applied advertising effort.

When developing plans great care should be exercised in selecting the advertising media required to accomplish any specific or general purpose, and in preparing advertisements.

Advertising media include so many diverse forms and groups, and each group is so multifarious in character, that even the most experienced have great difficulty in making wise selection. It is not to be expected that the amateur, or one of limited or narrow experience, can choose with any degree of assured success.

It is principally owing to the insufficient knowledge and experience of so many advertisers, and their dependence upon caprice, and biased or inexperienced advice, that advertising is so heavily discounted by inefficiency. This is evidenced by the welter of distinctly bad and glaringly inefficient and inappropriate printed matter, press announcements, posters, etc., that flood the country.

The use of one form of advertising, for effects that could be better and more economically accomplished by

another, also results in a huge discount. One sees posters transferred to the press, and press advertisements on the bill boards. One sees a nightmare of ineffective and crude designs, and repulsive colour schemes, hopelessly employed to effect a favourable impression.

The difficulty lies in the lack of a thorough understanding of the varying functions and limitations of the various factors in advertising, and ignorance with respect to the proper form to be employed to accomplish a desired purpose. There obviously exists a widespread inability to use efficiently the enormous and well-demonstrated power of advertising.

Eternal vigilance is required to prevent loss of time and money by the misuse of advertising. But vigilance without understanding will avail but little. With respect to printed matter of all kinds, both as regards form and colour, there is a necessity for artistic sense, for knowledge of paper, and for "feeling" as to the influence upon the average mind of labels, show-cards, posters, etc.

To choose wisely in the selection of media for outdoor display, and for press advertising, one needs exceptional experience and judgment. Only by constant dealing with these various matters can one secure that clarity of mind, and definite knowledge, requisite to transact these harassing details efficiently.

This is not the place to deal *in extenso* with these, and other essential factors of successful advertising, but a few comments seem necessary, to safeguard the advertiser from fatal errors. My contention is, that efficient advertising applied to a well-organized business dealing with a sound article is certain of profitable result, and it is in order to point out the discounts that may be avoided, or at least minimized, by competent counsel.

#### PRINTING

As efficiency in selling begins with the get-up of the goods to be sold, design and printing enter into the

problem immediately the label, wrapping, or carton comes up for consideration. Stationery, business cards, leaflets, booklets, catalogues, and all the small printing that is required, also need early and careful attention.

An inspection of goods already on the market discloses a woful lack of intelligent originality, and almost a total absence of good taste and effective appeal. This is a fundamental error of great importance. Conspicuousness and appropriateness, combined with a suggestion of value, are what is required.

The same may be truthfully said to apply to all the small printing, on which the manufacturer depends to get, and to keep in touch with, the trade, and also the public, outside the "mass" effort involved in more formal and important publicity undertakings. It should be remembered that all these small matters, when combined, make up an item of considerable expense. They are of very great importance in reducing sale costs, and in building up good-will, therefore they must be handled with extreme care. If left to incompetent hands, elaboration and expensive materials will be employed to conceal a dearth of ideas, and lack of knowledge of processes and methods, or worse still, naked mediocrity will flaunt itself. Over-elaboration of design, and crude effect are both the marks of the amateur, and of the incompetent in advertising.

When we come to consider the use of colour in printing, elaboration of design is usually further complicated by crude and complex colour effects. Reds, yellows, and blues, because of their strength and complementary nature, are lavishly applied without sense of emphasis or good taste, with the result that most goods are presented to the public in a bewildering mass of crude, misapplied, and competing colours, each struggling in vain for dominance. Indeed, nothing would better describe a glomerate mass of such goods than Mark Twain's description of an impressionistic rendering of a brilliant sunset, which he

said "looked like a black cat having a fit in a dish of tomato soup."

One thing that the manufacturer has learned is, he is not a printing expert, and it is greatly to his credit that he realizes that the printer should be a better judge of efficient salesmanship by printing than he is himself. But it is as much to be regretted that only few printers are in any marked degree competent to render intelligent services, outside the mere technical process of turning out a printing job.

As it is a fact that only a very small part of the commercial printing in this country is intelligently laid out, and that the typography is not above the mediocre, it follows, since these matters are largely left to the printer, that he is incompetent, and requires close specifications as regards choice of paper, colour scheme, type, and lay-out.

There are notable exceptions, but the majority of print-shops are hopelessly inefficient in an expert, advisory capacity. It is a case of the blind leading the blind. Printing requires great knowledge outside of composition and press work. A typographical expert, possessing wide experience, and a well-developed sense of display, and a refined taste in colour, lay-out, and type faces, should preside authoritatively over the mere mechanical departments of any printing establishment that undertakes to produce effective sales helps for the manufacturer.

In view of the present rule-of-thumb methods employed by most printers, the manufacturer who desires to obtain the maximum selling power for his printing expenditure should rely upon the co-operation of experts attached to those printing works, and those service-advertising agencies that are equipped to render intelligent service, those that have a reputation for writing and laying-out printed matter that has in it the desired sales "push," both as regards form and matter.

These remarks upon printing apply equally to the printing of everything required to keep the business in touch with the outside world, from office stationery and labels on the goods to show-cards and posters, and all the heavy artillery of sales attack.

### PERIODICAL ADVERTISING

Outside the aggregate charge for printing, as included in the foregoing, undoubtedly the heaviest national advertising expenditure is for Periodical Advertising. With many manufacturers this is by far the larger charge, but there are thousands who make large purchases of printing, and yet do not employ any press advertising, either because they do not produce goods that permit of this form of salesmanship, or because they are not yet aware of its possible profitable application to their particular business. Printing also enters very largely into the get-up of the goods themselves.

Although press advertising is the second cost item in Silent Salesmanship, yet it is a huge total, running into millions of dollars annually. Therefore it should receive most careful consideration, and be applied with wide intelligence.

Press advertising divides itself into two factors: first, the selection and purchase of the space to be employed; and second, the advertisement, or use of space so purchased.

Publishers, through their advertisement canvassers, and one group of advertising agents, who more properly should be called space agents, put all the stress of their appeal upon the first factor. Their business is to sell, at the highest possible price, the advertising space in the journals which they represent. They are usually not equipped, by experience or organization, to render a genuine advertising service, which should be untrammelled by either contract or ownership of advertising

space of any character. Unbiased opinion concerning any advertising medium is essential to a wise choice of papers. Efficient advertising service, and ownership or control of advertising media, cannot be satisfactorily combined, as the two factors are in opposition.

Advertising space canvassers, if they are efficient salesmen, must press the value and importance of their "goods" upon the buyer. They should have an intimate knowledge of the journals they represent, but may not be expected to exploit the claims of rival media. Furthermore, they should be zealous, and indeed prejudiced, in favour of that which they have to sell. In short, the buyer of space, in deciding upon the relative merits of competitive media, cannot expect much assistance from this direction. He can only gather information from this source respecting the paper being offered, and this unfortunately is not always as definite and valuable as one could wish, or naturally expect. He must depend upon himself, or on unbiased expert opinion, in making his decision.

These observations apply equally to proprietors of all advertising media. It should not be expected that unbiased advice is to be derived from such necessarily prejudiced sources, nor is it to be assumed that they should know the value of competitive media.

The advertising value of any paper is the product of its character and influence, with due regard to the article to be advertised, multiplied by its circulation, viz., the number of people it reaches in the district where the goods are on sale, or where it is planned to put them on sale.

The character and influence, or class of readers, can be clearly ascertained by any one of intelligence and experience by a careful study of the paper itself. The number of copies circulated or sold can only be ascertained from the publisher, or his representative, or from advertising agents who have ascertained it directly or by careful estimate.

The reticence of publishers on vital circulation statistics is bewildering to manufacturers, who cannot conceive of selling anything without some definite statement of quantity to be delivered. This, however, with few exceptions, is the absurd method employed in selling advertising space. In most instances one will be given a casual, verbal assurance of some vague, unsubstantiated figure. Nor does one readily discover if such figure is recent or remote, or if it is for some single issue, or an average over any considerable period, or if it is the number of copies printed, or actually sold. It is extremely rare to be given any definite, authoritative information regarding the number of copies circulated in any given district. Those journals that supply authoritative, detailed statements of circulation, other factors being on an approximate equality, are, therefore, entitled to preferential consideration.

It will thus be seen that the buyer of advertising space, without great and continuous experience and accumulated data constantly renewed, has but slender information upon which to base a deciding opinion as between papers in any given class.

His difficulty is further complicated by the variety of classes. These may be roughly divided into papers of daily and weekly issue, and monthlies of the magazine class. Again, daily papers are divided into morning and evening, and into two and three cent papers. Weekly journals exist in great variety: the pictorials, the literary, the religious, the agricultural, and an infinite array of specialized classes.

The intelligent choice of media, therefore, becomes extremely difficult. Particularly is this true if only a small amount of expenditure is contemplated, and only a few papers can be used. Herein is a cause of one fundamental error in much advertising: the difficulty of making an intelligent choice of media often results in the inclusion of too many papers, and the expenditure

is split into so many that nothing really effective is accomplished in any of them. One of the greatest sources of disappointment in periodical advertising results from scattering an appropriation broadcast. The average advertiser seems to consider the number of papers in which he advertises as the important matter, with the result that he strives, with inadequate spaces, to cover too large a list.

The unit of publicity is the reader, not the paper. One paper of large circulation may be better than many small ones of equal aggregate circulation. On the other hand, the smaller papers may present a better opportunity to localize the advertising to certain desired districts, or to confine it to a certain desired class of readers.

Whatever papers are selected, they should be sufficiently restricted in number to permit of advertising in each with sufficient force to ensure attracting the attention and stimulating the interest of its readers to the point of purchase. It is more profitable to the advertiser that the readers of one paper be developed into customers, than to arouse among ten times as many merely a feeble and flickering interest that does not lead to a purchase of the goods. Concentration on media is as important as on product.

With these brief observations upon a most important subject that is but indifferently understood, I will now pass on to that other factor of press advertising: the Advertisement.

It should be obvious to the most untutored mind, that it is folly to buy advertising space unless that space is to be occupied with the most efficient type-salesmanship to be procured.

A study of current advertising discloses the lamentable fact that much of it, although vastly better than it was, is still done with consummate ignorance of many of the simplest and best-established rules of efficient advertisement writing and construction.



This argues a lack of appreciation, on the part of those who are paying for it, of the importance of efficiency in this department, such as is insisted upon in the production department of their businesses. This no doubt is due, in many instances, to a lack of understanding of the advantages and limitations of advertising, and also to the lack of experience in its efficient application.

The average advertiser has no standard by which to measure the ascertained result, no basis of comparison. He merely knows that, by spending a certain sum, he finds his business is sufficiently developed to justify a repetition of the expenditure from year to year. He does not realize that if more efficiency were applied to his advertising there would result an increased economy as certainly as when applied to the production side of his business. He does not know the increased result that others have obtained by increased efficiency, and so continues on in his wasteful, hit-or-miss way, because he is too ignorant, too careless, or too self-satisfied to study the matter.

Whatever the cause, certain it is that there is woful lack of intelligence displayed, and a consequent huge annual loss to advertisers, as compared with what might be accomplished by more efficient methods.

There is no department in business that requires more consummate skill, greater variety of knowledge and in-born talent, than does salesmanship in print, and no department of business that contains such opportunity for lessening selling costs. It may justly be added that the preparation of advertisements for the Press calls for these qualities in the very highest degree.

To pay \$500 for space and fill it with copy that can produce only \$499 of profit and good-will is a fool's game; to raise the profit as high as possible above the cost should be the distinct business of every manufacturer.

The increasing demand for better advertisements has resulted in a growing demand for trained advertisement

writers. As in every department of business, these grade from the hopelessly inept to the highly skilled and efficient. The dull monotony, the uninviting and tongueless and soul-less advertisements that crowd the magazines, are a natural result of entrusting their preparation to those inexperienced and uninformed. Advertisement writing is work demanding exceptional skill and judgment. Men of genius highly trained in the art can accomplish only approximate efficiency.

Another thing that prevents the wider demand for what may be called the professional advertisement writer is the innate love of dabbling by advertisers themselves in the drafting of advertisements. It has a strange fascination for most men, as has the writing of letters to the newspapers. One sometimes hears a successful and overworked manufacturer say, "I write every one of my advertisements." Why he should show any pride in the achievement is beyond all explanation, certainly it is rare to find the reason for it in the advertisements. And when one knows of his responsibilities, and his qualifications for the work that distinguishes his success, one can only attribute his satisfaction, as an advertisement writer, to the fascination of seeing his work in print. Every editor will testify to the deluge from would-be journalists, but the would-be advertisement writer has a broad straight road into the columns of any paper—if he is willing to pay for the space he occupies. Much advertising indicates that many advertisers are willing and able to gratify themselves in this luxury of self-expression.

Another reason for much waste of valuable advertising space is the total dependence placed by some advertisers upon their own organization for the production of all advertising copy required. Such organizations are highly desirable, as I have already explained, but it is a mistake to keep one set of brains too close and too long upon one subject.

Even the skilled department advertising man, like the

untrained advertiser, suffers in time from a too close contact with his subject. Any one kept grinding continuously upon any one theme will inevitably grow stale. He will also unconsciously come to assume that the public is as weary as himself of those essential facts that have proved the vital factor in selling the goods, and so turn to novelty of presentation, to the exclusion of salesmanship in statement or argument. Professor Lounsbury's dictum concerning "the infinite capacity of the human brain to withstand the introduction of knowledge" is an excellent guide in the preparation of advertisements. Most advertisers presume too much upon an absorbing public interest in their advertising, and so get a fallacious idea that the public soon knows all about the goods advertised.

The failure of the public to respond immediately and whole-heartedly to efficient advertising appeal is not at all due to antagonism to it, but to absolute indifference, and habitual inertia. Conservatism is a pleasanter word usually applied to describe this public and individual state of mind. Describe it as one may, it remains that the advertisements must be kept steadily to their business of selling goods, and creating good-will, and prevented from relapsing into weak appeal or monotony, or degenerating into mere effort at sensational effect.

Such being the case, it is absolutely the business of any advertiser to bring the best talent and organization obtainable to bear upon the preparation of advertising, and the selection of advertising media, thus ensuring its greatest possible efficiency.

### OUTDOOR PUBLICITY

In the foregoing discussion of Printing and Printing Advertising much has been said that applies with equal force to Outdoor Publicity, which includes Bill Posting, Trolley, 'Bus, Subway and other Railway Advertising.

Isolated Signs for day and night effects are also included in this category.

Here also we have to consider the advertisement and its position. What has been said with respect to printing applies with fullest force to the production of posters and signs. Particularly any printed matter that calls for substantial outlay for its distribution or use, in addition to its initial cost, should be produced with the utmost care, and every possible ounce of selling force injected into it. This condition obtains in all outdoor publicity; and posters, and signs for 'buses, railways, etc., all must be turned out with one object only, that of sale power.

Outdoor publicity cannot be compared with periodical advertising for explanation or argument, and should not be used for this purpose. Its value is unsurpassed for economically driving home a single central point which needs especial emphasis, and for economically keeping the name of a commodity in the public mind.

Manifestly this form of advertising cannot be nicely limited to any one class of the public, as can periodical advertising; it is valuable in proportion as applied to articles of general desire. On the other hand, it possesses to a supreme degree the advantage of localization, and for intensifying an appeal in defined areas.

All outdoor advertising possesses one quality in common that makes it more difficult than periodical advertising to use efficiently. It demands fixed positions, remote from the advertiser. Unlike periodical advertising, which can be checked up promptly and with certainty, at the office of the advertiser and the advertising agent, it must be visited and inspected. This entails difficult and expensive organization, an important item that must be superadded to other costs.

It also entails other difficulties, not sufficiently appreciated by the majority of advertisers. Space on a railway station, or in the cars, or upon street bill boards,

is an extremely difficult thing to select with any certainty of average value and requires especial judgment and experience. It is even more difficult than the successful selection of space in periodicals, and is further complicated by journeys for personal inspection, if selection is made with any marked degree of efficiency. This in itself is an expense that operates to restrict the use of these most excellent media for advertising, particularly as regards bill-posting, which needs frequent inspection and renewal to ensure efficient continuous showing during period of contact.

Upon the intelligent selection of bill-posting stations, and the proper maintenance of continuous showing on the selected positions, the efficiency of this form of advertising very largely depends. Upon an intelligent service in these particulars hinges not only the effectiveness of the advertising, but also its cost. The cost depends, as in periodical advertising, upon the price and extent of the spaces used. Intelligent selection is required to determine the minimum number of spaces necessary to produce the maximum profitable influence or selling force.

A nice appreciation of the amount of paper required in any community is necessary to obtain the maximum result for the minimum expenditure. This entails a thorough knowledge of the street geography and traffic of each town, together with a first-hand understanding of the location of the bill boards available for the display required. An under-show, or one upon bill boards, undesirable for reaching the class of consumers to be influenced, is obviously a loss of opportunity and money; while an over-show, that is an unnecessary amount of paper displayed, even upon desirable bill boards, is also a sign of inefficiency. Such over-show subjects the advertiser to unnecessary, or at least ill-considered, expenditure not only for space occupied, but also for posters used in keeping up the display.

Efficient outdoor advertising requires: first, a good

sign or poster; and second, experienced organization to ensure its proper display. Both these factors are positively necessary to ensure efficiency of result. Advertisers would be well advised to secure every unbiased expert assistance possible, both in producing signs or posters, and in putting them in position.

The distribution of samples and advertising matter by post, or from door to door, or such advertising by catalogues, booklets, etc., is a method frequently employed. The value of sample distribution depends greatly upon the character of the article advertised. It is obvious that goods that make a quick appeal to the sight or taste, or which produce some startling effect, are best adapted to such advertising. There is a great disadvantage in thus advertising goods that have to be prepared for use by the recipient—*e.g.*, foods that have to be cooked are seldom properly prepared, and, for this reason, may be misjudged. Anything that is ready for use, and that may be depended on to make an instant appeal, is most suited for sampling.

Another form of advertising is to canvass from door to door for orders to be filled by the local shopman. This idea is carried still further by some manufacturers, who maintain canvassers who actually sell, from door to door, goods purchased from the neighbourhood shop that carries them in stock, thus broadening the circle of the shopkeeper's ring of customers.

There are districts and occasions where and when any and all such distribution or sample schemes are desirable, and perhaps necessary; but the efficiency of such methods is always enhanced if the goods given away or sold are well known by previous advertising. Unknown goods so forced upon the public are likely to be looked upon with suspicion; but, if well known, they receive a favourable reception. House-to-house distribution for forcing sales in localized districts is valuable for fighting competition at vulnerable points. To be efficient, it must

be co-ordinated with the general advertising scheme, and must be entrusted to carefully organized forces. Unless under capable and experienced supervision, house-to-house advertising is almost certain to be costly and unsuccessful, only adding to the total selling cost, instead of reducing it.

The golden rule in all advertising undertakings is, "Whatever is worth doing, is worth doing well," and no advertising is well done if it can be better done.

All advertising effort of whatever character, for whatever immediate object, whenever undertaken, should be co-ordinated and made to contribute to the supreme general purpose of reducing selling cost and acquiring permanent sale momentum. This final purpose may occasionally be subordinated to combat temporary adverse conditions, or to take advantage of temporary favourable conditions; but the supreme paramount purpose, the ultimate reduction of selling cost, or the development of good-will, must be kept steadily in view. Capital efficiently sunk in advertising is invested for the future good of the business, but sunk in haphazard efforts, only to meet emergencies as they arise, it is more than likely to be simply and absolutely sunk.

### TRADE JOURNALS

In technical journals, devoted to specific industries, manufacturers of supplies for the industry represented find advertising valuable, and frequently spend from one to three per cent. of turn-over in advertising in these. This book is not dealing with goods of this nature, but with goods consumed by the general public. By Trade Journals are here meant those journals that are devoted to the interests of middlemen who buy goods from manufacturers for re-sale to the general public.

The advertising of a brand of goods to its consumers, or potential consumers, and thus developing the pull or

suction of increased demand upon distributors, or middlemen, creates an entirely new and important reason for announcement to the trade.

The desirability—indeed, the necessity—is obvious for acquainting the middleman, especially the retailer, who is a most important factor in distribution, with all publicity plans, and the benefits that advertising confers upon consumer and trader.

In selling unbranded goods, trade-paper advertising has little or no leverage. All that it can accomplish is to keep the manufacturer's address before the trader to serve as a reminder in calling for tenders. Even for a branded article for re-sale, for which no consumer advertising is being done, or contemplated, advertising in Trade Journals possesses little or no influence upon the trader. It still remains a mere extended distribution of the manufacturer's business card, and possesses only the slightest advertising value, except when used for the announcement of some special selling scheme, or special sale prices, or to exploit the re-sale advantage of a distinct novelty or monopoly.

The true advertising value of the Trade Journal is only apparent in marketing a branded article that is soon to be, or is already being, pressed upon the attention of the consumer. Under these circumstances its columns can be used efficiently to carry, not only the story of the goods, but also the story of the advertising.

It must be steadily borne in mind that the only two factors that can possibly induce a trader to stock any line of goods are their saleability and profit. Granted that a fair margin of re-sale profit is allowed him—which is a *sine qua non* in successfully marketing any line through the trade—nothing else is so certain to secure his interest as the assured saleability of the goods offered. When a reliable concern advertises that certain desirable goods are being backed up with sufficient and efficient consumer advertising, the middleman knows



from experience that a strong current of demand will flow to his counter or warehouse.

Thus the pages of a really efficient and well-circulated trade paper offer an efficient means of convincing the trader of the certain saleability of an article, and of explaining the influence upon his customers of existing or proposed consumer advertising.

The trader has learned from experience to abhor a demand for a popular article that he does not stock. This is becoming a natural law, in the same sense that "Nature abhors a vacuum." The stupid and stubborn trader who habitually refuses to supply what his customers require is quickly relegated to a back seat in the opinion of his community.

The Trade Journal, therefore, should be alert in providing adequate advertising facilities for those manufacturers that are in position, by reason of their efficient advertising to the consumer, to get the 100 per cent. value of trade advertising, and should offer every possible encouragement to an intelligent appreciation of the service it offers. In this direction lies the development of the Trade Journal. Such service to the manufacturer should exceed the mere insertion of his advertisements. It should include valuable data, and precise information with respect to the trade represented, and expert suggestions and assistance in carrying out distribution plans, thus fostering the mutual interests of manufacturers and traders.

Especially should this inter-trade assistance be organized and efficiently applied to inexperienced advertisers. If properly developed, it will be found a powerful influence in extending the prestige and revenue of those journals possessing sufficient enterprise and intelligence to inaugurate and maintain such a valuable service.

Trade Journals, with rare exceptions, are not contributing much of value to either manufacturer or trader. They should use their influence to educate those ignorant and obsolete middlemen who still maintain a nineteenth-

century opinion concerning advertising, and bring producer and distributor into harmony of opinion and method. This will result in the freer flow of goods to the public at minimum selling cost, and at a better profit to the trade.

Every intelligent middleman requires "Turn-overs," not "Left-overs." "Left-overs," however well bought, are poorly bought, for they soon "eat their heads off," in interest and depreciation. Concentration on the fewest possible, quickest moving lines is the way to profit. Efficiently advertised lines are always the Quick Sellers. A long profit, seldom realized, is nothing like so valuable as a slightly smaller profit frequently realized. The live dealer stocks the goods that have a living demand and a fair profit.

As I have already emphasized, goods asked for are already sold. Even if not demanded, efficiently advertised goods are readily accepted. They require no argument to sell them. The trader's share in the transaction is merely that of delivery, requiring the minimum effort, time, and expense.

With a fair and guaranteed rate of profit, and the suction of demand steadily at work to create rapid turn-over; with all loss from unsaleability eliminated; with the manufacturer taking all responsibility for the goods and guaranteeing satisfied customers—the trader's most valuable asset; with assurance of a continuous supply, and knowledge that no competitor is on a better price basis, no trader of intelligence can long continue seriously to regard efficiently advertised goods as other than his principal defence against the encroachment of department stores with their mail-order departments, chain-stores, co-operative stores and other forms of capitalistic pressure in trade. But for advertised goods these powerful interests would wipe out the less favourably circumstanced independent wholesale and retail dealer, independent manufacturer, and independent Trade Journals.

But for the bulwark erected and maintained by manufacturers that fix sale and re-sale prices, and identify and advertise their goods, the small retail dealer would have daily to fight for his life. With his extinction would inevitably come the downfall of the wholesaler, and the elimination of the Trade Journal. Therefore the trade press must wake up to this obvious truth, both on account of the press itself, and also on behalf of the trader whose interests it assumes to represent.

The fight is between restrictive trading and open trading, and in this conflict the advertising manufacturer of open lines of merchandise is the power upon which freedom of trade depends. It is, therefore, stupid beyond explanation for middlemen, and those trade organs that are supposed to represent their interests, to antagonize him, or indeed to occupy a neutral attitude toward his success—a success with which their own future success is linked.

With assurances of efficient Trade Journal co-operation, the manufacturer of advertised goods will increasingly avail himself of this direct touch with the trade through which his goods continuously flow to consumption. Lacking such co-operation, he must necessarily resort to the more expensive method of personal salesmanship, and printed matter circulated through the post. In any event these may be necessary, but enormous savings in selling expense can be effected by an efficient trade press working in intelligent and harmonious co-operation with those manufacturers who are systematically creating demand upon the trade for sound, quick turn-over lines, to which are attached fixed prices that ensure the dealer a fair profit and reduced selling cost.

## CHAPTER XIV

### WHAT IS NOW REQUIRED

**EFFICIENT** selling organization is to-day the outstanding factor in business success.

What is now required is the same quality of patient invention in selling methods that for so long has been given to improved means of production.

It may be difficult for one who has not studied the matter to understand exactly what this implies, or even to believe that it is necessary. One does not so readily perceive changes of which one is a part, as those of which one is a spectator. Selling has undergone a more radical change in this generation than has production. The wide divergence between past and present market conditions is due to three things besides increased pressure of competition.

First, the introduction of popular education, which has resulted in a reading public.

Second, the invention of wood pulp paper and rapid printing machines, which has placed cheap books and cheap daily, weekly, and monthly publications in the hands of every one.

Third, cheap and rapid passenger transportation, which has resulted in increased travel, the mingling of people and opinion, and the constant contact of every one with everything new.

Thus the great masses of the public have come into touch with the outside world, and a spirit of unrest and emulation has developed.

The last generation of the nineteenth century witnessed

a social upheaval, which even yet is not fully appreciated. The outstanding feature of this social revolution has been the enormously increased individualism on every hand, until to-day every one, regardless of age, sex, or social condition, assumes to form his own conclusions from his own premises.

His facts may not always be accurate, and his deductions may not always be logical; but it still remains that each individual insists upon independent conclusions.

Whatever one's opinion of the advantages or disadvantages of this stimulated individualism, it must be admitted that it has turned the social world upside down, and has completely revolutionized trading methods as applied to all goods which find their consumption with the great public.

The public to-day demands to know the *reason why* for everything—including the reason why a certain article is desirable or necessary. It also insists upon having what it wants. Who, but the manufacturer of it, is to give the information necessary to develop correct public opinion concerning any particular article of commerce? How is such information to be given except by advertising?

In the good old days of intense provincialism and parochial dominance, except in a very small circle of aristocratic and travelled society, no one had any great desire for change in food, dress, or household supplies, furniture, or decoration, or in any article of personal, social, or commercial use.

To-day every one, from marchioness to milkmaid, has a burning desire for the latest thing, nor are the millionaire and the labourer much behind in this respect; and this condition is steadily developing.

No longer does the country merchant, nor the smart town retailer, assume to dictate what his customer shall buy. It is becoming increasingly the custom for the public to dictate to the retailer what he shall sell.

No longer can the wholesaler dictate to the retailer what he shall put in stock. The wholesaler supplies what the public demands, because that is what the retailer demands of him.

The only present-day dictator is the ubiquitous consumer—the man and woman with the desire and the purse. The winning cards are now all held by the consumer, and it is the manufacturer's only future hope to draw him for a partner.

This does not imply that the wholesale trade is not an efficient distributing machine. It may be profitably utilized by the majority of manufacturers. The retailer is absolutely essential to the success of a vast amount of trade, but neither the one nor the other is a source of demand for a pennyworth of goods. The retailer who is shrewd enough to display goods and advertising attractively in a well-situated shop, and who also employs other means of efficient advertising, can stimulate local demand; but it always has its source in the consumer.

It is this source of demand that most concerns the selling department of a modern business—as vital to success as is the right source of supply to the producing department. It is equally important that the manufacturer keep in as close touch with the one as with the other.

Keeping in touch with the consumer is advertising. This includes keeping the middleman and the consumer constantly interested in the goods.

The obsolete practice of consigning all output to a few factors or wholesalers, and then abandoning all interest in the goods, is a primitive conception of the opportunity of a manufacturer. It results in a complete surrender of the good-will of a business. The manufacturer is entirely at the mercy of price competition, the caprice of the middleman, and of advertised competition.

Making the goods and following them to the consumer,

is the means by which shrewd producers control their prices and build up good-will.

Which is the more valuable: the "Lever Trade-marks" or the Lever Soap Factories? "Johnnie Walker" or Walker's Distilleries? "Quaker Oats" or the Quaker Oats Mills? "Bass" or the Bass Breweries? "Beecham" or Beecham's Pill Mill? "Bovril" or the Bovril Factory? "Kodak" or Eastman Kodak Co., "Baker's Cocoa" or Walter Baker & Co., Ltd. "Yale Locks" or The Yale & Towne Mfg. Co. There are conspicuous examples of enormously valuable trade-mark good-will in almost every line of business. Undoubtedly any shrewd buyer would prefer these trade-marks to the equipment assets.

In conspicuous examples of this sort there are unfortunately few textile manufacturers, but this is due only to the tardy recognition by them of the necessity, or possibility, for consumer advertising. There are now developing some exceedingly valuable good-wills in advertised textiles—values exceeding by far the value of the mills which produce them.

It is a notable fact that every manufacturer is prone to believe that his advertising problem is the most difficult. The non-advertiser selling a quarter article cries, "My profit is so small that I cannot afford to advertise. If I were selling motor-cars at \$5,000 each or pianos at \$500, I could then afford the 'luxury' of advertising, for then I would have a big profit to work on."

The non-advertiser selling \$5,000 motor-cars or \$500 pianos shakes his head and insists that he cannot afford to advertise because there are so few who can spend the necessary hundreds or thousands of dollars.

The manufacturer of luxuries wishes he were making necessities that every one requires; and the maker of necessities covets the big profits of the luxury vendor.

I suppose this is the same psychological law that influences the salesman to believe his competitor's goods are easier to sell than those he is carrying. Every

manufacturer knows that his travellers are always wanting better goods to sell at less price—"something like so-and-so is offering."

I have found in twenty-five years' advertising experience that the great universal law of compensation runs through advertising as it does through all other human effort. The man who sells a quarter article has more than twenty times as many possible buyers as has the man who sells a five dollar article.

The man selling a necessity, upon a small margin of profit, has all the advantage of steady, widespread demand, as against the restricted, occasional purchase of a luxury at a long profit. Every manufacturer has his own pack of advertising difficulties to deal with, and his success or failure depends upon the wisdom of his decision. Temporizing never leads to success. Intelligent decision is what is required. The safest way is usually the best way to do anything.

I have lived to see the day that demands no defence of the principle of advertising. In my earlier experiences this was not so, but to-day I do not believe there is a successful business man living in this country who would seriously claim that advertising is not a sales-making force if efficiently applied. Unfortunately, only a few have learned that it is the only means of reducing sales cost and of maintaining a profit, and at the same time increasing turn-over. Under existing conditions it is the only safe way to build a profitable, permanent business within a reasonable time. It is also the only insurance of stability for an existing business.

If there are those so far behind the times as to question the power of efficient advertising to create and to maintain profitable demand for an honest product or service that can be forced into wide market, they must re-adjust themselves to conditions as they exist to-day, for the overwhelming force of experienced opinion is against them. The power of advertising is as unassailably



established as is that of steam. The only remaining problem is its efficient application.

Advertising is a word of such importance that it should be clearly defined. First, there is the dictionary or literary definition; to make known by public notice; to inform; to publish. Second, there is the popular use of the term, applied loosely as a synonym for publicity of all sorts. Third, while the word contains all the above meanings, the modern advertising world seeks to restrict it to the sense of *profitably distributing information and suggestion calculated to induce desired opinion and action*.

Thus defined, it is difficult to see any objection to it from any direction, and the value of its very wide application becomes at once obvious.

A sign over the shop or in the window, a business card or letter heading; the label on the goods; price lists, circulars, catalogues; the spoken word of the salesman on the road or behind the counter; and so on, to poster and press announcements, are all advertisements, and all should possess the utmost selling power.

*Selling cost goes down in proportion to the increasing reputation of the goods.* Therefore every point of contact with the public should be cultivated to create favourable opinion with respect both to the goods or service offered, and the organization that produces or maintains them, *because the good opinion of the public is the good-will of the business.*

It is not nearly so difficult or expensive to sell "Quaker Oats" as to sell "Blank" oats. In fact, the proprietors could shut down on practically all "Quaker Oats" selling expense for a time and sell immense quantities of goods nevertheless. This is owing to the resistless momentum of its good-will, which exists, not in *traders* only, but also in millions of "Quaker Oats" *consumers* all over the world. But the curve of increased selling cost would ultimately begin to take an upward direction if even so well entrenched an article as "Quaker Oats"

were to be abandoned by its producers, and advertising discontinued for any considerable time.

It is the continued pressure of the consumer that speeds up the selling machinery and reduces the selling cost of all outstandingly successful concerns, and *it is the steady pressure of advertising that puts and keeps the consumer in motion.*

A dealer listening to a long and interesting story of what a well established house had done, was doing, and would do, in the way of advertising a certain product, suddenly said, "Yes! I understand, but what about *the goods?*" The salesman replied, "Ask those who ask you for them. What concerns you most is that the goods are advertised, and that more and more people will continue to ask you for them. My firm could not afford to identify and advertise them if they were not desirable. If they proved unsatisfactory to your customers they would not continue to buy them, as they do."

This conversation embodies the whole principle of advertising, and the co-ordination of efficient selling effort that tends to reduce selling cost.

Identified goods must be sound; prices to the public, and re-sale profit to the middleman, must be fair; the public must be informed by advertisement of the merits of the goods; the shopkeeper must be educated to the advantage of steady sale and quick turn-over. When all this is done efficiently, selling costs steadily decline, turn-over expands, and production costs decrease.

## THE WILL OF MAN

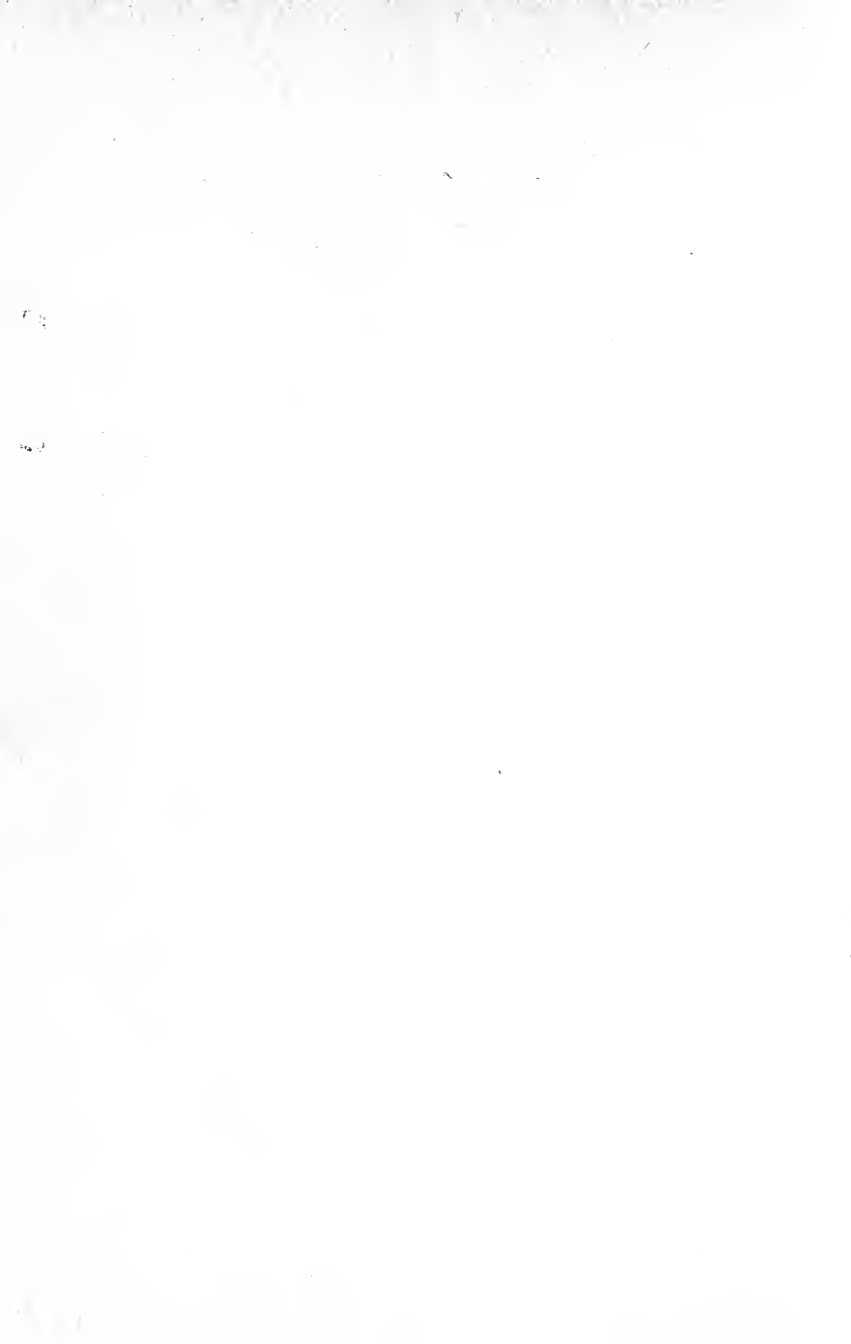
Behind all effort there must be a purpose. There can be no purpose without imagination and vision. Therefore all commercial progress, as indeed all human progress, results from the power of translating thought into action, and into material manifestation. What is required in business to-day is control by men of clear commercial vision and strong will.

A strong man dreams a dream,  
And straightway all his force of heart and brain,  
And all the steadfast purpose of his life—  
Yea, all the power of his super-self,  
In one united effort, grip  
With grim and giant strength that fleeting dream  
And hold it fast.  
So Will, that mystic thing that moves the world,  
That force divine on which all nature rests,  
Fountain of purpose, architect of life,  
Seizes the vision, moulding into stone  
Those evanescent phantoms of the mind.  
The lofty walls, the portal, gleaming spire  
And deep foundation sunk in living rock—  
All these are but the dream-stuff of the mind,  
Made manifest by Will.

### **PULL—DON'T JERK**

If there is one business on earth that a quitter should leave alone it is advertising. To make a success of advertising one must be prepared to stick to it like a barnacle to a boat's bottom. Advertising doesn't jerk, it pulls. It begins very gently at first, but the pull is steady. It is like a team of horses pulling a heavy load, but half the power is required to keep it going that is necessary to start it.—*John Wanamaker.*

**NOW IS THE TIME  
TO DO IT BETTER.**











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